

**Domtar Inc.**  
**Annual Report 1982**

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"...investments in  
efficiency improvements  
and strategic expansions  
will restore growth in profits  
when the economy recovers."



## About Domtar

“Most of its key product lines hold the prime share, or a major one, of the markets they serve.”

Domtar produces a diverse range of products at 82 mills, mines and plants in Canada and the United States. Most of its key product lines hold the prime share, or a major one, of the markets they serve.

Domtar’s varied business segments are organized under four operating groups – Pulp & Paper Products, Packaging, Chemicals and Construction Materials – and an additional unit which invests in gas and oil exploration programs.

### **Pulp & Paper Products**

Fine papers  
Newsprint and groundwood specialty papers  
Pulp  
Kraft paper and boxboard  
Woodlands and lumber

### **Packaging**

Corrugated containers and containerboard  
Recycling  
Composite cans

### **Chemicals**

Sifto® salt  
Organic chemicals  
Wood preserving  
Lime

### **Construction Materials**

Gypsum – Canada  
Gypsum – United States  
Arborite® products  
Fiberglas(\*) insulation  
Masonry products  
Roofing, fibre and ceiling tiles

### **Energy Investments**

Canadian Hunter Exploration Ltd.  
Hamilton Brothers Canadian Gas Company Ltd.

These operations are supported by corporate staff functions including employee relations, legal services, engineering, purchasing, research, environmental technology, finance and corporate development.

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# Highlights

<b>For the year</b>	<b>1982</b>	<b>1981</b>	<b>1980</b>
Millions of Canadian dollars			
Sales	\$1,687	\$1,765	\$1,653
Earnings before extraordinary items	9	59	97
Net earnings (loss)	(2)	64	95
Cash flow from operations	83	143	166
Capital investments			
Existing businesses	169	164	118
New businesses	9	37	14
Per common share			
Earnings before extraordinary items	\$ 0.49	\$ 3.35	\$ 5.78
Net earnings (loss)	(0.10)	3.59	5.66
Dividends	1.50	2.00	2.00
Cash flow from operations	4.54	8.09	9.93
Return on capital employed <sup>†</sup>	2.0%	6.7%	12.2%
Return on common shareholders' equity <sup>†</sup>	1.4%	9.8%	18.6%
In millions except market price			
Common shares			
Average number of shares outstanding	18.0	17.6	16.6
Market price (Toronto Stock Exchange)			
High	\$22	\$37½	\$30¾
Low	\$15½	\$20	\$21¾
Trading volume			
Canada	2.4	5.1	3.8
United States	0.8	0.7	1.6
<b>At year-end</b>			
Ratio of long-term debt to shareholders' equity	35:65	29:71	27:73
Book value per common share	\$ 32.88	\$ 34.79	\$ 33.36

<sup>†</sup>See definitions on inside back cover



## Report of Directors

“... investments in efficiency improvements and strategic expansions will restore growth in profits when the economy recovers.”

### 1982 – A difficult year

In the 1981 Annual Report, we forecast that “Domtar will operate in an economy that is not expected to grow in 1982. Price increases will be minimal and insufficient to offset persistently rising costs”. In fact, the economy was more depressed than had been forecast. The resulting negative growth led to reduced sales volumes as compared to 1981.

Earnings before extraordinary items amounted to \$9.1 million or \$0.49 per common share, down from \$59.4 million or \$3.35 per common share in 1981. In 1982, there was an extraordinary loss of \$10.7 million or \$0.59 per common share, while in 1981 there was an extraordinary gain of \$4.2 million or \$0.24 per share. Cash flow from operations totalled \$82.6 million for 1982.

Fine Papers, Newsprint and groundwood specialty papers, Sifto® Salt and Organic Chemicals made significant contributions to 1982 operating profits. However, major losses in most Construction Materials' divisions and in the lumber operations offset these contributions. The net deterioration was tempered by actions taken throughout the Corporation to reduce costs and staffing levels. Interest on indebtedness was significantly higher due to additional long-term borrowings in November 1981 and in August and December of 1982.

### Cost reduction programs

As the economic recession deepened in 1982 and the prospect for near-term recovery became remote, Domtar took steps to conserve its cash resources and to maintain its strong financial position. Only capital expenditure programs currently in progress or considered essential were undertaken, with such projects primarily directed to the more profitable strategic operations to maintain their operating efficiency and market position. Operating Groups have shut down certain unprofitable operations and, with Corporate Staff Groups, have undertaken a comprehensive series of cost reductions which have now permeated all organizational and operating areas. As a result, staff levels at the start of 1983 are about 10% below the level in January 1982.

Despite a very difficult year and some personal hardships, employees demonstrated great understanding and commitment to the new challenges. Employee participation in ensuring the success of the cost restraint programs will result in a stronger and more competitive corporation. The dedication and effort by employees at all levels are greatly appreciated.

### Capital investments – future benefits

During the period 1979 to 1982 Domtar invested \$676 million to maintain, improve and expand its businesses, including acquisitions, thereby almost doubling its base of net fixed assets. To finance these capital investments, Domtar increased its long-term debt by \$185 million, and issued common shares for \$88 million, which enabled the Corporation to maintain a strong long-term debt to equity ratio of 35:65.

The Corporation is in the process of completing the third and final phase of the conversion to a lower-cost pulping process at the Donnacona, Québec groundwood specialties paper mill. Investments have been made to improve the efficiency of the pulp mill at Lebel-sur-Quévillon, Québec, the fine paper mill at Cornwall, Ontario, and several corrugated container plants in Western Canada. To minimize fuel costs and to improve pollution control, new boilers have been or are being installed at the Dolbeau, Québec newsprint mill and at the linerboard mill at Red Rock, Ontario. The Chemicals Group is currently expanding the salt mine at Goderich, Ontario which, with the expansion of distribution facilities in the U.S.A., will enhance our market position. Construction Materials has concentrated its expansion in the gypsum wallboard operations in three regions with potentially strong markets. Packaging has rationalized and expanded the facilities for the collection and recycling of waste papers.

The current recession has reduced the profits of most of Domtar's businesses and deferred some of the gains forecast for the completed projects. However, the 1979 to 1982 capital investments in efficiency improvements and strategic expansions will restore growth in profits when the economy recovers.



### **Management changes**

In December 1982, Alex D. Hamilton retired as Chief Executive Officer. Mr. Hamilton's tenure with Domtar spanned fourteen years — six years as President of Domtar Pulp & Paper Products and the last eight years as Chief Executive Officer of the Corporation. His leadership and dedication enabled Domtar to improve the strategic position of its main businesses and to withstand the adverse effect of difficult times. In addition, his active participation in industry and community activities enabled Domtar to contribute beneficially to the environment in which it operates. His contribution to the Corporation and to the community is greatly appreciated.

Yves Pratte, formerly Vice-Chairman of the Board of Directors, replaced Mr. Hamilton as Chairman. James H. Smith, President, was appointed Chief Executive Officer.

### **Changes to the Board of Directors**

The following individuals did not stand for re-election or have resigned as Directors: Messrs. A.E. Barron, L.M. Cook, P. Côté, H.R. Crabtree, A.D. Hamilton, C. Lacroix and J.H. Robertson. We wish to thank them for the significant contributions made throughout their tenures.

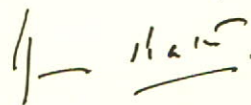
Messrs. Robert E. Heneault, J.C. Major, Rémi Marcoux and Edward J. Waters were elected to the Board.

### **Outlook — the 80's**

The severity of the current recession has shaken consumer confidence. To restore this confidence will take time. With favourable trends in inflation and interest rates, housing starts in 1983 should increase, benefitting the Construction Materials Group and the lumber operations. For Domtar's other businesses, however, no significant upturn is foreseen until later in 1983. For 1983 as a whole, utilization of productive capacity will continue at relatively low levels. Price increases will be minimal and insufficient to offset cost increases.

To better withstand the current recession and to take advantage of the next period of growth, Domtar must continue to improve its cost-competitiveness. Domtar sustained a six-month strike in 1982 at most of its corrugated container plants to protect its cost position. Capital is being invested to increase the efficiency of manufacturing processes. Employee productivity is being improved at all levels of the organization. New technologies will continue to be investigated and utilized where appropriate.

The strength and the timing of the expected recovery are uncertain. There is a strong possibility that the remainder of the 1980's will see only modest growth as compared to previous decades. Based on the completion of the Corporation's current capital investments, the cost restraint programs introduced in 1982 and the added emphasis on productivity improvements, Domtar is positioned to begin restoring its former profit levels and later to achieve profit growth even in an environment of modest economic recovery.



*Yves Pratte, Q.C.  
Chairman of the Board*



*James H. Smith  
President and Chief Executive Officer*



# Domtar Inc.

## Directors and Officers

### Board of Directors

**Gilles Blondeau**  
Montréal, President,  
Optimum Group Inc.

**Guy Coulombe**  
Montréal, President and Chief  
Executive Officer, Hydro-Québec

**Robert Després**  
Québec, Chairman of the Board,  
Atomic Energy of Canada Limited

**Denis Giroux**  
Montréal, Manager, Corporate  
Financing, Caisse de dépôt et  
placement du Québec

**Robert E. Heneault**  
Toronto, Vice-President –  
Administration, Stelco Inc.

**John G. Kirkpatrick, Q.C.**  
Montréal, Senior Partner in the  
legal firm of Ogilvy, Renault

**Jean-Claude Lebel**  
Montréal, Chairman of the Board,  
President and Chief Executive  
Officer, Société générale de  
financement du Québec

**John C. Major, Q.C.**  
Calgary, Partner in the legal  
firm of Bennett Jones

**Rémi Marcoux**  
Montréal, President,  
Groupe Transcontinental G.T.C. Ltée

**Raymond R. Pinard**  
Montréal, Executive Vice-President  
and Chief Operating Officer,  
Domtar Inc.

**Michel Plessis-Bélair**  
Montréal, Executive Vice-President,  
Société générale de financement  
du Québec

**Yves Pratte, Q.C.**  
Montréal, Chairman of the Board,  
Domtar Inc.; partner in the  
legal firm of Clarkson, Tétrault

**James H. Smith**  
Montréal, President and  
Chief Executive Officer, Domtar Inc.

**Edward J. Waters**  
New York, Vice-President,  
Kidder, Peabody & Co. Incorporated

**Lorne C. Webster**  
Montréal, Chairman of the Board  
and Chief Executive Officer,  
Groupe Prenor Ltée

### Committees of the Board

**Executive**  
Yves Pratte, Chairman  
Gilles Blondeau  
Jean-Claude Lebel  
Raymond Pinard  
Michel Plessis-Bélair  
James H. Smith

**Audit**  
Michel Plessis-Bélair, Chairman  
Gilles Blondeau  
Robert Després  
John G. Kirkpatrick

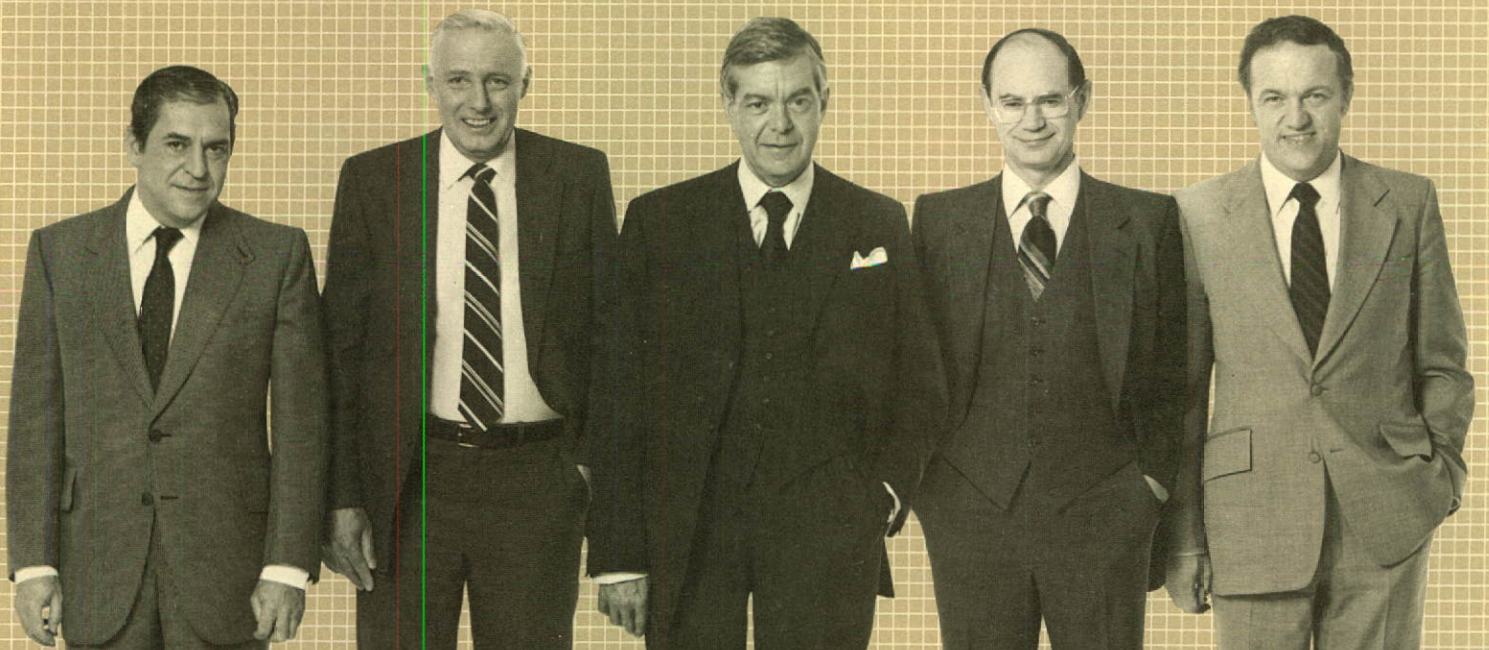
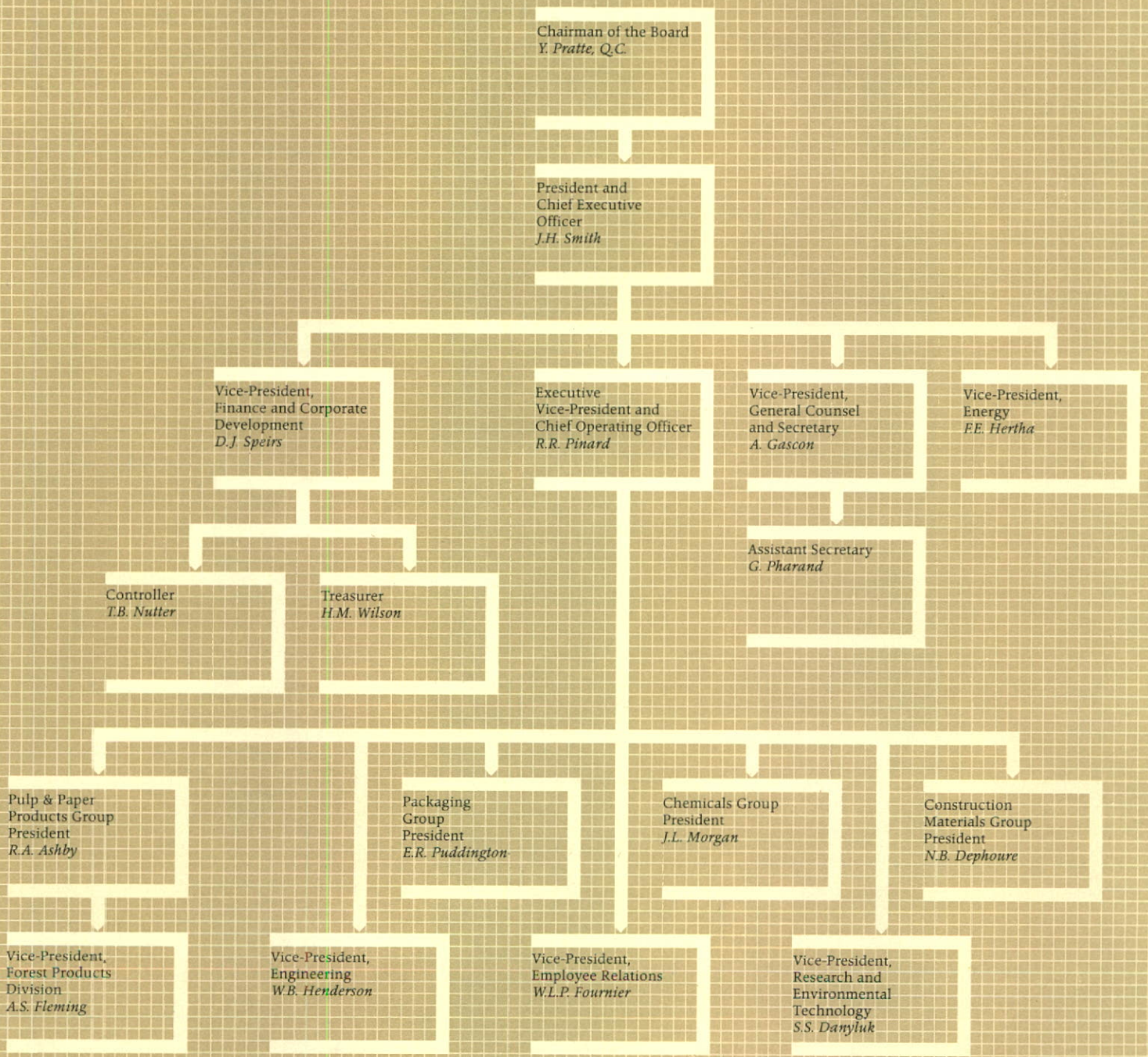
**Executive Management  
and Compensation**  
Jean-Claude Lebel, Chairman  
Gilles Blondeau  
Guy Coulombe  
Rémi Marcoux  
Raymond Pinard  
Yves Pratte  
James H. Smith

**Investment**  
Gilles Blondeau, Chairman  
Denis Giroux  
Jean-Claude Lebel  
Edward J. Waters  
Lorne C. Webster

**Nominating**  
Yves Pratte, Chairman  
Jean-Claude Lebel  
James H. Smith

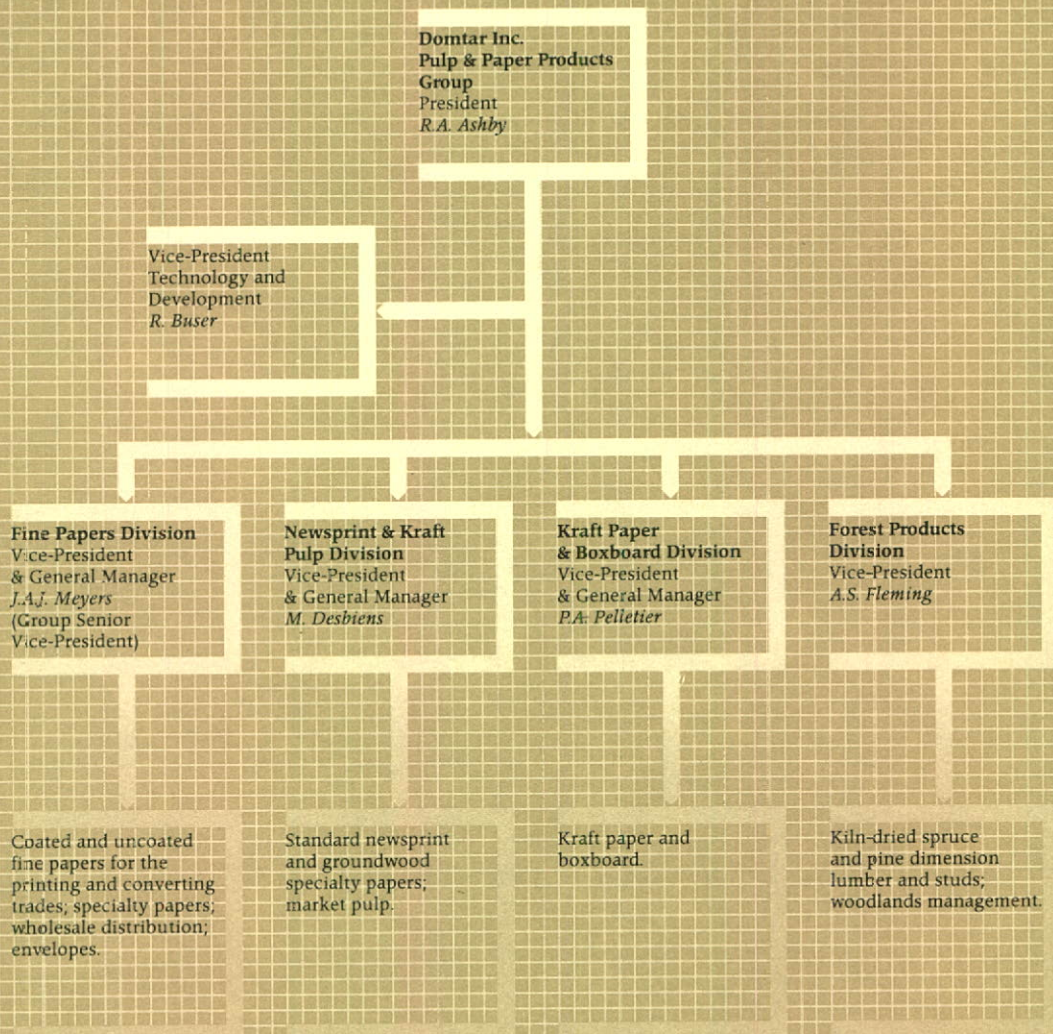
*Domtar Inc. senior corporate management team, from left: André Gascon; James H. Smith; Yves Pratte, Q.C.; Raymond R. Pinard; Derek J. Speirs.*







# Domtar Inc. Pulp & Paper Products Group





“1983 . . . another difficult year, with an improvement expected in the second half.”

#### **Results below 1981 level**

Sales of \$839 million in 1982 were 2.9% lower than in 1981 due to the impact of the current recession, especially in the second half of the year. However, sales in the Fine Papers division increased in 1982 compared with 1981, when they were depressed due to a strike lasting until May 1981 at three mills.

Group operating profit fell 29% from the 1981 level to \$44 million. A combination of sharply reduced market demand for pulp and lumber and additional newsprint capacity in North America lowered operating rates and led to widespread price discounting, while costs continued to rise. Reduced profits were partly offset by programs to lower operating costs and working capital.

Capital spending of \$209 million since 1979 was directed at reducing costs and improving efficiencies. The Group continued its major strategic investment programs at the Donnacona groundwood specialties mill and the Dolbeau newsprint mill, both in Québec. These actions position the Group for profitable growth when the markets return to more normal levels.

Since 30% of sales are in United States dollars, the Group's operating results are sensitive to fluctuations in the United States – Canadian exchange rate. Currency devaluations by Sweden and Finland late in 1982 have made producers in these countries competitive in overseas markets. The apparent move in the United States towards increased protectionism is a matter of concern, particularly in the lumber area.

#### **Fine Papers bounces back**

Sales increased by 10% while operating profit doubled compared to 1981, when results were adversely affected by a strike. In addition, cost reduction programs to lower energy and raw materials consumption and to improve productivity had a favourable impact on results. Lower prices for pulp and recycled paper benefitted Fine Papers' mills which utilize purchased pulp. The Canadian Merchants and Dominion Envelope divisions continued to contribute positively to both sales and profits. Domtar Fine Papers completed the sale of its merchant operation in the United Kingdom.

Capital and operational improvements continued, with the emphasis on cost reduction, quality and efficiency improvement projects. These include the ongoing mill modernization program at Cornwall, Ontario aimed at optimizing chemical and fibre usage and the automation of finishing, packaging and materials handling systems.

#### **Newsprint capacity increases harm results**

Sales of newsprint and groundwood specialty papers remained steady while operating profit fell substantially below the 1981 level. Reduced economic activity, particularly in the second half of 1982, generated no growth in North American and overseas newsprint consumption. This, together with the large increase in capacity over the last three years and a reduction in newsprint inventory levels, resulted in an industry operating rate of 82%. Competitive conditions resulting from the low operating rate not only precluded price increases but also caused a price reduction in the fourth quarter.

The groundwood specialty market became more competitive during the year when traditional newsprint producers switched idle capacity to the production of some groundwood specialty grades.

*Domtar Pulp & Paper  
Products management  
team, from left: Raoul  
Buser; Jan A. J. Meyers;  
Michel Desbiens; Roger A.  
Ashby; Paul A. Pelletier;  
Andrew S. Fleming.*



Construction of the \$29 million wood refuse boiler at the Dolbeau newsprint mill progressed on schedule toward a mid-1983 completion. This project will reduce fuel oil requirements at the mill by approximately 200,000 barrels per year. Construction started on the \$38 million conversion of the Donnacona groundwood specialties mill to 100% thermo-mechanical pulping. The project will be on-line in the spring of 1984 and will significantly reduce operating costs while improving environmental protection.

#### **Pulp breaks even**

Sales declined by one-third while operating profit fell to the break-even level due to the effects of the economic recession on world demand for both softwood and hardwood kraft pulp. Prices declined steadily throughout the year to levels no higher than those attained in mid-1979. However, the increase in internal demand following the return of Fine Papers' mills to full operations after the 1980-1981 strike was an important offsetting factor.

Two projects costing \$8 million were completed in 1982 to improve the reliability of the Lebel-sur-Quévillon, Québec mill.

#### **Kraft Paper and Boxboard results decline**

Sales declined slightly while operating profit decreased by 50% due to weak markets. The margins of boxboard products increased due to productivity improvements.

The East Angus, Québec kraft paper mill is a small-scale, high-cost facility participating in a declining market due to product substitution by plastics. The major capital expenditures required to meet pollution regulations are difficult to justify economically. Discussions continue with governments concerning the mill's long-term future.

#### **Lumber division sustains downtime**

The lumber operations continued in a loss position due to the severe decline in both lumber prices and volume. The Dolbeau-Mistassini and the Girardville, Québec sawmills were shut down for most of 1982. They will remain closed until the lumber market improves sufficiently to permit profitable operations.

#### **Woodlands division**

In 1982, 2.1 million oven-dry metric tons of wood were delivered to Domtar's operations compared to 2.7 million tons in a normal year. Approximately 58% of the fibre was obtained from Domtar's wood limits; the remainder was purchased under long- and short-term contracts. This excludes secondary fibre supplied by the Recycling division.

The thinning of stands, selective logging, modified strip cutting and tree planting are among the measures which have intensified forest management on Domtar's freehold land as well as some privately-owned lands close to the mills. In 1982, 720,000 spruce seedlings were planted on our freehold land, primarily in Québec. This planting, combined with natural regeneration, equals the current harvest.

In March 1982, Domtar signed a Forest Management Agreement with the Ontario Government. This program transfers to Domtar responsibility for all forestry and regeneration activities to maintain the annual allowable cut. Under the 1982 program, Domtar planted 100,000 trees on Crown limits. Subsequent annual plantings will increase to one million trees by 1985.

#### **Outlook for 1983**

The outlook for 1983 is for another difficult year, with an improvement expected in the second half. Further pressure on profit margins is expected as it will be difficult to pass on continuing cost increases. No contribution to earnings is expected from the Newsprint and groundwood specialty papers and the Pulp divisions. The lumber market should gather strength in 1983 with the forecast increase in North American housing starts and thus reduce the losses incurred by this business. The Fine Papers division is expected to contribute significantly to operating profit.



# Domtar Inc. Pulp and Paper Products Group Five Year Review

Supplementary segmented information  
(millions of Canadian dollars)

		% of Domtar total	1982	1981	1980	1979	1978
Trade sales†	Fine papers	27.7	\$466.2	\$424.3	\$449.3	\$421.1	\$327.8
	Newsprint/groundwood specialty papers	13.7	231.7	240.0	215.0	181.7	160.8
	Pulp	4.2	70.5	112.3	84.1	70.1	59.2
	Kraft paper & boxboard	3.0	50.7	54.8	49.3	45.7	38.4
	Woodlands & lumber	0.9	15.4	21.8	38.8	39.6	37.8
	Consolidated trade sales	49.5	834.5	853.2	836.5	758.2	624.0
	Inter-segment sales		4.6	11.3	15.9	15.4	7.5
Group sales		\$839.1	\$864.5	\$852.4	\$773.6	\$631.5	
Operating profit†	Fine papers		\$ 34.6	\$ 16.4	\$ 43.5	\$ 45.0	\$ 22.4
	Newsprint/groundwood specialty papers		23.0	40.2	37.5	33.9	24.6
	Pulp		(0.4)	20.2	17.5	17.9	(0.7)
	Kraft paper & boxboard		1.7	3.4	4.9	3.2	3.7
	Woodlands & lumber		(14.9)	(17.6)	(7.3)	(1.3)	(0.2)
	Group		\$ 44.0	\$ 62.6	\$ 96.1	\$ 98.7	\$ 49.8
Net operating assets†	Fine papers	13.5	\$151.6	\$168.2	\$146.8	\$143.2	\$136.3
	Newsprint/groundwood specialty papers	11.8	133.0	92.8	74.7	66.9	62.0
	Pulp	6.9	77.8	80.2	78.0	69.2	67.2
	Kraft paper & boxboard	1.2	13.5	16.6	13.2	13.7	12.5
	Woodlands & lumber	3.0	34.3	41.1	40.0	40.8	36.9
	Group	36.4	\$410.2	\$398.9	\$352.7	\$333.8	\$314.9
Return on average net operating assets	Fine papers		21.6%	10.4%	30.0%	32.2%	17.1%
	Newsprint/groundwood specialties		20.4	48.0	53.0	52.6	37.1
	Pulp		(0.5)	25.5	23.8	26.2	(0.9)
	Kraft paper & boxboard		11.3	22.8	36.4	24.4	30.7
	Woodlands & lumber		(39.5)	(43.4)	(18.1)	(3.3)	(0.5)
	Group		10.9%	16.7%	28.0%	30.4%	15.5%

†See definitions on inside back cover

Pulp and paper production	(metric tons)	1982	1981	1980	1979	1978
Newsprint/groundwood specialties		351,319	383,137	382,283	379,532	373,815
Fine and specialty papers		303,859	236,356	311,815	345,295	298,228
Market pulp		138,351	211,470	161,387	149,595	175,116
Kraft paper and boxboard		125,654	122,797	128,188	151,057	141,633



# Domtar Inc. Packaging Group

**Domtar Inc.  
Packaging Group**  
President  
*E.R. Puddington*

**Corrugated Containers Division**  
General Manager, Western Canadian Operations  
*G.D. Blackmore*  
Vice-President & General Manager, Eastern Canadian Operations  
*C. Gentile*  
Vice-President, Sales  
*D.H. Lumb*

**Domtar Sonoco Containers Inc.**  
President  
*J.R. Quattrocchi*

**Eastern Coated Papers**  
President  
*P.S. Dunnell*

**Containerboard Division**  
Vice-President  
*D.J. Whittle*

Corrugated shipping containers and displays, coast to coast distribution from local plants.

Composite metal-paper containers for food-stuffs, automotive oils, household cleansers and other consumer products.

Plain and reinforced gummed tapes; photocopy paper and coated paper for wrappings.

Kraft linerboard; recycled linerboard; corrugating medium.





“sustained . . . strikes to protect the long-term competitiveness . . .”

#### **Group operating profit declines**

Sales were 11% below 1981 while operating profit declined by \$25 million due to weak economic conditions throughout the year, combined with a strike at eight plants of the Corrugated Containers division. The strike, which lasted six months and ended only in December, is estimated to have adversely affected operating profit by approximately \$11 million. A general cost reduction program was introduced at all plants and offices in early 1982.

The Corporation, and four of its major competitors in Ontario and Québec, sustained these strikes to protect the long-term competitiveness of the Canadian corrugated containers industry. Union demands were for a settlement based on that negotiated for pulp and newsprint mills in Eastern Canada. The demands were judged unacceptable in an extremely competitive industry where the labour content involved in the production of corrugated containers is about three times that required for the production of pulp and newsprint.

The Group continued its capital spending program, which during the last four years totalled \$114 million. Most of the 1982 expenditures were directed towards the completion of major cost reduction programs aimed at reinforcing the cost-competitive position of the Group's major product lines. In addition, the Group focussed its resources on its most efficient production units, while closing down a marginal corrugated containers plant.

#### **Corrugated Containers and Containerboard complete major plant improvements**

The \$49 million recovery furnace at the linerboard mill in Red Rock, Ontario commenced operation in the fourth quarter. As well as eliminating a significant pollution problem at the mill, the new furnace will generate annual energy savings equal to 100,000 barrels of fuel oil.

Another major capital project at the Red Rock mill is to modernize its newsprint machine. The primary objective is to make a standard newsprint sheet of improved quality for use by commercial printers.

In its accounting and sales systems, the division continued to implement new programs which it believes represent a significant competitive edge in the use of on-line computer systems, particularly in developing customer quotations. The applications take advantage of an extensive private data communications network linking the division's 14 plants and three mills to a central data-base at the Group's head office in Malton, Ontario. The system has resulted in substantial reduction in administrative overhead, improved control and better service to customers.

The division closed its Carlaw Avenue plant in Toronto on September 1, 1982. The plant was not cost-competitive, and its relative cost position was judged likely to erode further as new technology is adopted. New developments in corrugator technology will permit a reduced number of plants and corrugators to handle the anticipated growth in demand of regional markets.

#### **Recycling division opens new waste paper recovery plant**

The completion and start-up, in the fourth quarter, of a modern corrugated container waste recovery plant in Toronto, based on licensed innovative European technology, will give the division a continued competitive advantage. The new facility is part of a \$8.5 million project, including the consolidation of two of the division's waste paper recycling plants in the same modern complex.

The Recycling division provides other Domtar operations with 140,000 tons of secondary fibre, or 6.7% of the Corporation's total annual fibre requirements.

*Domtar Packaging management team, from left: Donald H. Lumb; John R. Quattrocchi; Elmer R. Puddington; Donald J. Whittle; Cam Gentile; Peter S. Dunnett; George D. Blackmore.*



**Another good year for composite cans**

With sales and operating profit increases of 11.6% and 25.3% respectively, the Composite Can division continued its excellent performance of the last few years.

Sales and profits are mainly generated by three product applications: juice concentrates, automotive oils and household cleansers. To continue its market leadership position in Canada, the division is stressing new product development. This is particularly important since certain major customers in the juice and automotive oil markets are committed to fabricating some of their own containers.

**Specialty Papers cuts costs**

Faced with stiff competition and lower demand, the Specialty Papers division incurred a small loss. In March 1983, Domtar agreed to sell its investment in Eastern Coated Papers Limited, the name under which this division operates.

**Outlook for 1983**

With the strike in the corrugated containers plants not settled until year-end, a slow recovery period is forecast in the first quarter; thereafter, the Group should benefit fully from the increasing level of economic activity throughout 1983.



# Domtar Inc. Packaging Group Five Year Review

Supplementary segmented information  
(millions of Canadian dollars)

		% of Domtar total	1982	1981	1980	1979	1978
<b>Trade sales†</b>	Corrugated containers & containerboard	12.2	\$204.8	\$245.7	\$207.0	\$166.7	\$120.8
	Recycling	0.6	10.5	11.7	10.8	7.8	–
		12.8	215.3	257.4	217.8	174.5	120.8
	Composite cans	1.7	28.9	25.9	20.0	15.9	12.0
	Specialty papers	0.7	12.0	14.8	14.2	13.5	13.0
	Consolidated trade sales	15.2	256.2	298.1	252.0	203.9	145.8
	Inter-segment sales		17.7	10.9	7.6	4.8	2.9
	Group sales		\$273.9	\$309.0	\$259.6	\$208.7	\$148.7
<b>Operating profit†</b>	Corrugated containers & containerboard		\$ (7.5)	\$ 17.6	\$ 23.9	\$ 19.2	\$ 13.1
	Recycling		0.1	0.3	0.8	0.9	–
			(7.4)	17.9	24.7	20.1	13.1
	Composite cans		3.9	3.1	1.9	1.6	0.9
	Specialty papers		(0.5)	0.5	0.8	0.8	0.7
	Group		\$ (4.0)	\$ 21.5	\$ 27.4	\$ 22.5	\$ 14.7
<b>Net operating assets†</b>	Corrugated containers & containerboard	16.2	\$182.6	\$168.3	\$127.1	\$105.4	\$ 75.5
	Recycling	1.2	13.5	7.2	4.8	3.1	–
		17.4	196.1	175.5	131.9	108.5	75.5
	Composite cans	0.8	9.2	9.6	6.1	4.6	4.4
	Specialty papers	0.5	6.1	7.2	6.3	7.0	6.1
	Group	18.7	\$211.4	\$192.3	\$144.3	\$120.1	\$ 86.0
<b>Return on average net operating assets</b>	Corrugated containers & containerboard		(4.3)%	11.9%	20.6%	21.2%	17.2%
	Recycling		1.0	5.0	20.3	29.0	–
	Combined return		(4.0)	11.6	20.5	21.8	17.2
	Composite cans		41.5	39.5	35.5	35.6	22.8
	Specialty papers		(7.5)	7.4	12.0	12.2	11.5
	Group		(2.0)%	12.8%	20.7%	21.8%	17.0%

†See definitions on inside back cover

<b>Paper production</b>	(metric tons)	1982	1981	1980	1979	1978
	Containerboard	254,533	332,943	338,611	326,387	251,418



# Domtar Inc. Chemicals Group

**Domtar Inc.  
Chemicals Group**  
President  
*J.L. Morgan*

**Lime Division**  
Vice-President  
& General Manager  
*E.F. Whitlock*

**Sifto® Salt Division**  
Vice-President  
& General Manager  
*W.D. Hargraft*

**Wood Preserving  
Division**  
Vice-President  
& General Manager  
*H.J. Parsneau*

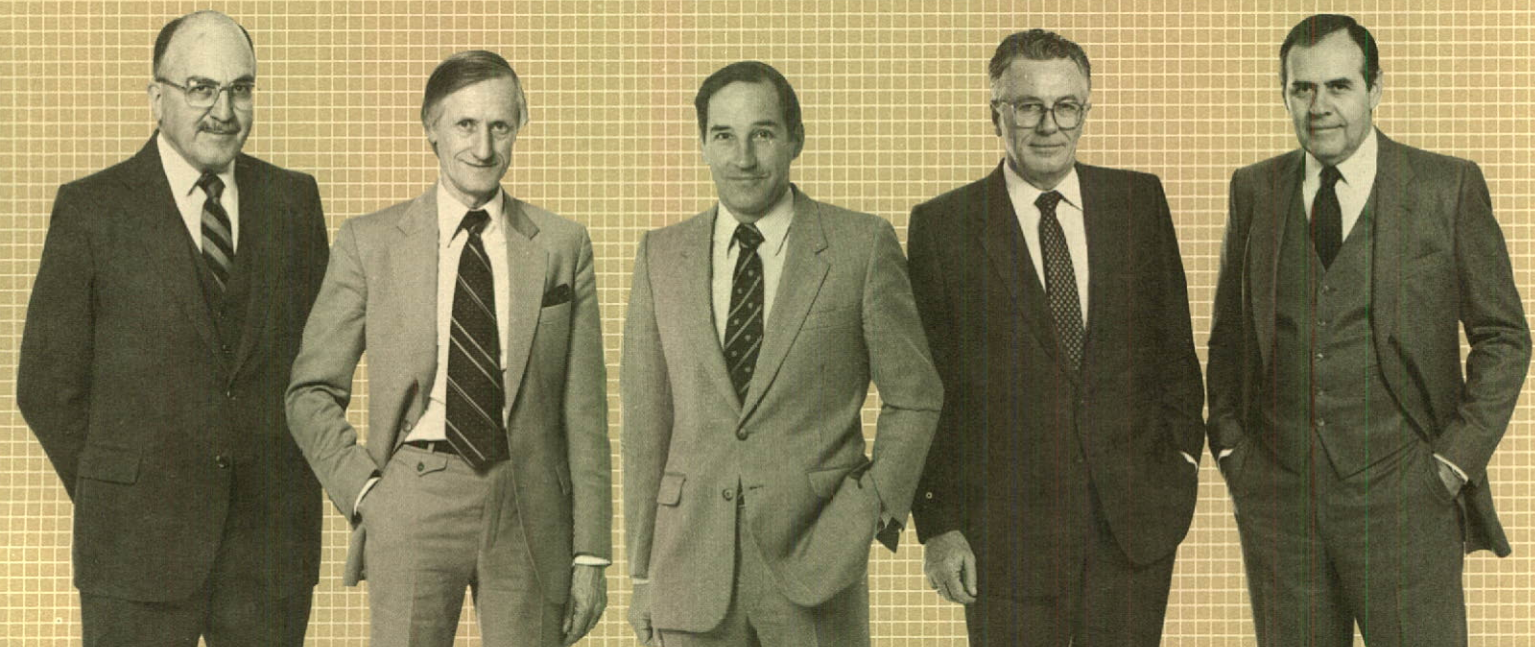
**Organic Chemicals  
Division**  
Vice-President  
& General Manager  
*K.A. McKeeman*

Limestone, hydrated  
lime and quicklime  
for the steel, paper  
and glass industries.

Sifto® Salt products  
for ice control,  
chemical & industrial  
uses and table salt.

Railway ties, utility  
poles and timber for  
building and marine  
construction.

Synthetic detergents,  
wetting agents,  
carboxymethylcellulose,  
coal tar pitch, refined  
tar, creosote, dyestuffs  
and pigments.





“... program to expand the Goderich mine ...  
scheduled for completion in April...”

**Group revenues increased but operating profit declined**

Group sales increased in 1982 with most of the gain in the Sifto® Salt division. However, operating profit at \$23.6 million was 12.2% lower than in 1981, despite Sifto® products reporting substantially improved results. To offset the impact of the economic recession, the Group instituted restraint programs which reduced costs.

The Group has spent \$88.5 million in the 1979-82 period to expand and upgrade its businesses and to improve their cost-competitiveness.

In a new initiative, senior representatives of Chemicals Group management and of the Energy and Chemical Workers Union have jointly established a task force to improve the climate of labour relations at operating locations.

**Sifto® Salt profits improved**

Sifto® Salt sales increased by 25% compared to 1981. Due to the severe weather conditions in the first quarter of 1982, shipments of ice-control salt were higher. Industrial salt sales were marginally better, while chemical salt sales equalled the 1981 level, despite relatively low operating rates in the caustic and chlorine industries.

Operating profit significantly improved over 1981, when results were affected by an 11-week strike at the Goderich, Ontario mine and by reduced demand resulting from the mild winter of 1980-81.

The \$37 million program to expand the Goderich mine capacity by 1.2 million tons, or 55%, is scheduled for completion in April 1983. The division acquired Lake Point Salt Company in Utah as a production source for its own solar salt. It completed the construction of a processing plant in Chicago to provide a broader line of salt products and strengthen its market position in the United States. As a result, the division's performance is expected to improve significantly in 1983.

**Organic Chemicals division maintained sales volume, market share**

Sales volume and market share were maintained due to the upgrading of manufacturing facilities in recent years, and to technical advances gained as a result of expanded research and development efforts. However, the division's operating profit was down by 24% from the 1981 level, due to the economic slowdown and an increasingly competitive environment.

The coal tar business has constructed a research pilot plant to develop improved product lines to satisfy customer requirements in industries using carbon electrodes. Within the manufactured chemicals businesses, a research and development program is also in place to develop new surface-active agents and applications in both industrial and household products.

The challenge for 1983 is to improve margins in the coal tar business in the face of higher raw material costs and the potential loss of volume in certain manufactured chemicals as a major customer commences manufacturing its own product. To offset these factors, the division will concentrate its efforts on new product development and productivity improvements.

*Domtar Chemicals Group  
management team, from  
left: H. Jack Parsneau;  
Edward F. Whitlock;  
W. David Hargraft;  
Kenneth A. McKeeman;  
James L. Morgan.*



**Wood Preserving division**

Sales and operating profit were above the 1981 level by 12.6% and 5.9% respectively. The sales increase was due primarily to the acquisition from Koppers International Canada Ltd. of two wood preserving plants in Alberta and British Columbia.

The acquisition of the two plants in Western Canada will strengthen our market position and provide economies of scale when normal market conditions return.

The division continues to emphasize expenditures on research projects for new preservative systems which are deemed to be of critical importance to its long-term future.

**Lime division consolidated operating base**

Low levels of operation in basic industries, particularly steel, severely reduced sales of the Lime division, resulting in an operating loss of \$2.5 million for 1982. Of this loss \$1.7 million related to the Bellefonte, Pennsylvania operation which was closed in June 1982 to minimize the cash drain. The write-off and cost of the closure amounted to \$7.3 million and are included as an extraordinary item in the Consolidated Statement of Earnings. The division is in the process of selling the lime facilities at Blubber Bay, British Columbia and has now consolidated its operating base in Ontario and Québec, where it holds a strong market position.

**Outlook for 1983**

Primarily due to the completion of the salt mine expansion, the Group anticipates improved earnings in 1983.



# Domtar Inc. Chemicals Group Five Year Review

Supplementary segmented information  
(millions of Canadian dollars)

		% of Domtar total	1982	1981	1980	1979	1978
<b>Trade sales†</b>	Sifto® salt	6.0	\$101.0	\$ 80.5	\$ 81.4	\$ 73.7	\$ 66.8
	Organic chemicals	4.6	76.9	78.2	66.1	47.5	42.4
	Wood preserving	3.7	63.0	56.0	52.7	47.2	42.8
	Lime	1.7	28.9	40.9	40.0	43.5	38.1
	Consolidated trade sales	16.0	269.8	255.6	240.2	211.9	190.1
	Inter-segment sales		3.2	3.6	3.4	3.2	4.1
	Group sales		\$273.0	\$259.2	\$243.6	\$215.1	\$194.2
<b>Operating profit†</b>	Sifto® salt		\$ 11.0	\$ 8.3	\$ 19.2	\$ 15.6	\$ 13.1
	Organic chemicals		8.9	11.9	9.6	5.5	4.9
	Wood preserving		6.2	6.0	8.3	5.7	4.8
	Lime		(2.5)	0.7	1.9	4.1	3.5
	Group		\$ 23.6	\$ 26.9	\$ 39.0	\$ 30.9	\$ 26.3
<b>Net operating assets†</b>	Sifto® salt	8.6	\$ 97.1	\$ 71.0	\$ 54.6	\$ 47.4	\$ 43.3
	Organic chemicals	1.8	20.4	22.7	15.9	15.6	13.3
	Wood preserving	2.4	27.4	23.7	24.3	21.4	19.8
	Lime	1.8	19.5	26.6	28.8	26.5	24.2
	Group	14.6	\$164.4	\$144.0	\$123.6	\$110.9	\$100.6
<b>Return on average net operating assets</b>	Sifto® salt		13.1%	13.2%	37.6%	34.3%	30.6%
	Organic chemicals		41.3	61.7	61.0	38.1	39.5
	Wood preserving		24.3	25.0	36.3	27.7	24.9
	Lime		(10.8)	2.5	6.9	16.2	15.3
	Group		15.3%	20.1%	33.3%	29.2%	27.0%

†See definitions on inside back cover



# Domtar Inc. Construction Materials Group

**Domtar Inc.  
Construction Materials  
Group**  
President  
*N.B. Dephore*

Vice-President  
Sales  
*V. Hellyer*

**Gypsum Products**  
Vice-President  
& General Manager  
*P.T. Sinclair*

**Roofing & Fibre  
Products**  
Vice-President  
& General Manager  
*P.G. Levasseur*

**Masonry Products**  
Vice-President  
& General Manager  
*J.M. Cooke*

**Arborite® Products**  
Vice-President  
& General Manager  
*M.R. DeMoulin*

**Domtar Gypsum  
America Inc.**  
Vice-President  
& General Manager  
*G.R. Simpson*

Gyproc® gypsum wallboard; lath; wall panelling; plasters and associated products for Canadian and northern U.S. markets.

Roof sheathing, panel board; ceiling tiles; grid panels. Asphalt shingles; roll roofing and siding. Asphalt specialty products.

Clay bricks in Canada and southern U.S.

Fiberglas(\*) thermal insulation products – national distribution.

Arborite® decorative and industrial plastic laminates; particleboard and Cladboard® decorative laminates.

Gypsum wallboard; lath; wall panelling; plasters and associated products for western U.S. markets.





“... established the Group as a leaner and more cost-effective producer.”

### Market collapses

1982 was expected to be a year of modest recovery from a weak 1981. Instead, due to persistently high interest rates and low consumer confidence, market demand collapsed for both residential and commercial property. The decrease in demand averaged approximately 40%, with Western Canada being particularly hard hit. In total, Canadian construction operated at about 65% of normal demand. In the United States, industry activity declined by another 15% from 1981 and, overall, performed at about 40-45% of normal demand levels. Construction activity in North America in 1982 was the lowest in two decades.

Sales at \$323 million were 9% below the 1981 level. All divisions reported lower sales volumes particularly in gypsum wallboard, insulation products, masonry and Cladboard® products. Increases in selling prices were minimal.

The operating loss for the Group was \$27 million – \$18 million in the United States and \$9 million in Canada. The loss by the United States operations resulted from a combination of extremely weak markets and price erosion due to intense competition. United States plants operated at below 50% of capacity. Additional costs were incurred by the start-up of the new gypsum wallboard plant in Tacoma, Washington. In Canada, the loss occurred in the gypsum wallboard, masonry and Cladboard® divisions. Roofing, insulation products and high pressure laminates were profitable. The Canadian operating loss in the second half of 1982 was significantly less than in the first six months.

### Employees' efforts exceptional

Our employees tackled with vigour and determination the challenges arising from this sharp market decline. Their efforts were exceptional. Export sales increased. Our share of domestic markets improved. Fixed and overhead costs were cut to the levels prevailing in 1979. Working capital was reduced by 29% without jeopardizing customer service. Staff levels were reduced by roughly 20% through productivity improvements and internal reorganization, while strengthening the core of key human resources essential for the long-term success of our businesses.

### Investments for cost-competitiveness

During the past four years, the Group spent \$108.9 million in capital investment, particularly in the gypsum wallboard business, for new high-speed production facilities at Caledonia, Ontario and Tacoma and for the purchase of an ore-carrying vessel. Additional investments were also made in other plants in the western United States and Canada to reduce costs significantly through automation and modernization. Additional gypsum rock sources were acquired to improve our vertical integration in western Canada. Such investments make the Gypsum Products division one of the lowest-cost producers in the markets it serves. Other divisions in the Group continued to maintain their cost-competitiveness through capital investments.

Steps taken in 1982 to cope with excess capacity included the “mothballing” of the gypsum wallboard plant in Montreal and the permanent closure of the fire-retardant ceiling panel plant in Cornwall, Ontario and of the brick plant in Indianola, Mississippi. These steps, together with the previously outlined staff reductions, have established the Group as a leaner and more cost-effective producer, with the major investment requirements in place to cope with the expected increase in market demand over the next few years.

### Outlook for 1983

With favourable trends in interest rates and inflation, housing starts in 1983 should increase. This improvement will be gradual, however, with the benefits more apparent in the second half of the year.

*Domtar Construction  
Materials management  
team, from left: J. Martin  
Cooke; Paul G. Levasseur;  
Merle R. DeMoulin;  
N. Bruce Dephoure; Peter  
T. Sinclair; V. (Bud)  
Hellyer; George R.  
Simpson.*



# Domtar Inc.

## Construction Materials Group

### Five Year Review

Supplementary segmented information  
(millions of Canadian dollars)

		% of Domtar total	1982	1981	1980	1979	1978
<b>Trade sales†</b>	Gypsum – Canada	3.5	\$ 58.6	\$ 71.0	\$ 60.3	\$ 62.4	\$ 60.0
	Domtar Gypsum America	3.7	61.8	62.8	64.5	76.4	49.8
	Total gypsum	7.2	120.4	133.8	124.8	138.8	109.8
	Arborite®, Fiberglas(*) insulation & masonry	7.0	118.8	135.7	114.4	111.1	104.2
	Roofing, fibre & ceiling tiles	4.9	83.4	85.3	84.7	71.3	67.0
	Consolidated trade sales	19.1	322.6	354.8	323.9	321.2	281.0
	Inter-segment sales		0.2	–	0.9	–	–
Group sales		\$322.8	\$354.8	\$324.8	\$321.2	\$281.0	
<b>Operating profit†</b>	Gypsum – Canada		\$ (4.1)	\$ (0.9)	\$ 2.0	\$ 8.2	\$ 10.0
	Domtar Gypsum America		(15.2)	(8.1)	2.9	18.0	13.7
	Total gypsum		(19.3)	(9.0)	4.9	26.2	23.7
	Arborite®, Fiberglas(*) insulation & masonry		(5.7)	1.7	4.1	5.7	1.9
	Roofing, fibre & ceiling tiles		(1.8)	(2.9)	2.8	1.2	0.7
Group		\$ (26.8)	\$ (10.2)	\$ 11.8	\$ 33.1	\$ 26.3	
<b>Net operating assets†</b>	Gypsum – Canada	3.8	\$ 42.5	\$ 41.8	\$ 36.3	\$ 31.9	\$ 18.4
	Domtar Gypsum America	6.9	78.5	85.9	67.6	35.9	33.6
	Total gypsum	10.7	121.0	127.7	103.9	67.8	52.0
	Arborite®, Fiberglas(*) insulation & masonry	5.5	62.3	74.4	39.0	44.7	42.5
	Roofing, fibre & ceiling tiles	1.6	17.5	20.2	23.5	20.1	17.3
Group	17.8	\$200.8	\$222.3	\$166.4	\$132.6	\$111.8	
<b>Return on average net operating assets</b>	Gypsum – Canada		(9.7)%	(2.3)%	5.9%	32.6%	72.2%
	Domtar Gypsum America		(18.5)	(10.6)	5.6	51.8	41.0
	Total gypsum		(15.5)	(7.8)	5.7	43.7	50.2
	Arborite®, Fiberglas(*) insulation & masonry		(8.3)	3.0	9.8	13.1	4.6
	Roofing, fibre & ceiling tiles		(9.5)	(13.3)	12.8	6.4	5.0
Group		(12.7)%	(5.2)%	7.9%	27.1%	30.4%	

†See definitions on inside back cover

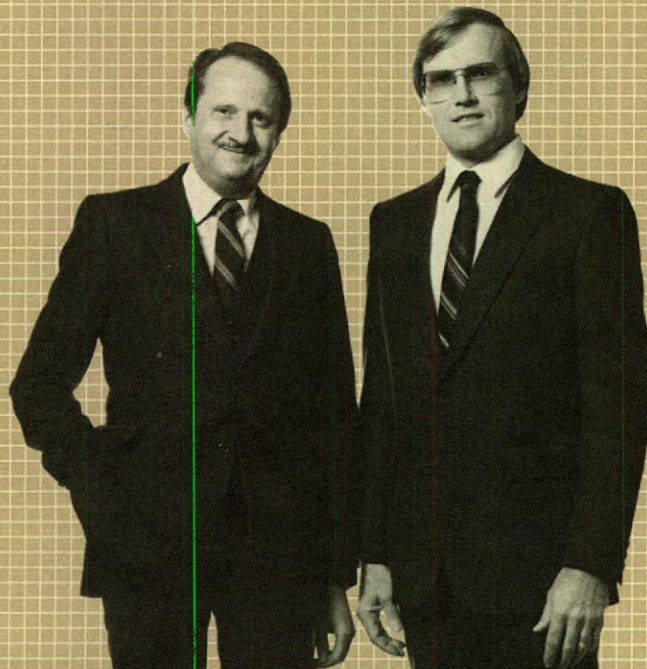


# Domtar Inc. Energy Investments

Domtar Inc.  
Energy Investments  
Vice-President,  
Energy  
*F.E. Hertha*

Director,  
Oil and Gas Production  
*B. McBeath*

Exploration and  
development of  
oil and gas  
producing properties,  
principally in Alberta.



*Energy Investments management team: Fred E. Hertha, left, and Brian McBeath.*



# Domtar Inc.

## Energy Investments

"...reserves increased by 66%... 80% are in contract areas."

### Exploration and development programs continue

During 1982, Domtar invested \$11 million in exploration and development drilling through its two major operators, Canadian Hunter Exploration Ltd. and Hamilton Brothers Canadian Gas Company Ltd. The total investment to date is \$61 million.

The growth in asset values has been encouraging. As at December 31, 1982, independent engineers have estimated at \$116 million the value of proven and probable reserves, based on forecast cash flows discounted at 15% per year, plus the market value of unexplored lands.

### Operating results

(millions of Canadian dollars)	1982	1981	1980
Sales after royalties and taxes	3.5	3.0	0.6
Operating profit (loss)	(4.1)	(1.8)	(1.4)

Sales were restricted by the lower demand for gas. The 1982 operating loss results mainly from the write-down in value of certain properties in the United States. The Energy Group uses the full cost method of accounting for its gas and oil investments.

### Reduction in U.S. drilling activity

Domtar participated in 64 wells during the year, a 44% decline from 1981, with the reduced activity most apparent in the United States.

Wells drilled		1982	1981
<b>Gross participation</b>			
Canada	Gas	27	48
	Oil	17	2
	Dry	8	19
		52	69
U.S.A.		12	46
		64	115
<b>Ownership participation in wells drilled</b>		4.8%	2.9%
<b>Success rate on ownership participation</b>		65%	53%

Although fewer wells were drilled than in 1981, Domtar increased its ownership share in those drilled. Starting in 1982, the Corporation has concentrated its drilling on the search for new oil in Western Canada.

### Proven plus probable reserves increase significantly

Domtar's proven plus probable reserves increased by 66%, based on evaluations by independent engineers. Of its gas reserves, 80% are in contract areas.

	1982	1981	Change
Gas (BCF)	93	57	+ 63%
Oil & condensates (thousands of barrels)	961	376	+ 256%
Gas equivalent (BCF)	98	59	+ 66%

Domtar's unexplored acreage at year-end totalled 321,000 acres, of which 266,000 are in Alberta and British Columbia and 55,000 in the United States.

### Outlook for 1983

The Energy Group expects to show an operating profit in 1983 due to increased sales volumes, improvements in producers' realizations after taxes and a reduction in operating costs.

Market development for natural gas in Canada and especially in the United States has not proceeded as quickly as anticipated. The industry has significant volumes authorized for exports; however, pricing levels need to be negotiated which are competitive in the United States market and provide adequate returns to Canadian producers and governments.



## Corporate Staff Groups

"...agreements... to be negotiated in 1983... not deemed to be critical."

### Employee Relations

The Corporation put in place two supplemental programs to assist non-unionized employees affected by the substantial staff reductions mentioned elsewhere in this report. They consist of an early retirement program and an unemployment benefit program for employees involved in temporary layoffs. Several operations also participated in government-subsidized work-sharing programs.

Fifty-four collective agreements were renewed in 1982, with several affecting key business areas. Although 58 agreements are to be negotiated in 1983, individually their impact is not deemed to be critical. The level of average annualized wage settlements in 1982 was at 10.7%, down from 12.1% in 1981.

During 1982, the Corporation allocated additional resources and increased its efforts to improve the occupational health and safety of its employees. Results for 1982 are encouraging, with a 16% decline in the frequency of accidents and a 40% decline in the severity ratings.

For 1983, the importance of controlling costs and improving productivity are the key requirements for ensuring the long-term health and growth of operations. With its unionized personnel, the Corporation will continue to negotiate agreement renewals which reflect the need to improve cost-competitiveness. The salaried staff are well

aware of the current financial status and have been informed that, in most cases, regular salary increases will be deferred for at least six months.

### Research and Environmental Technology

Research and development activities focussed on resource utilization, process optimization and product development. Due to declining wood fibre sources, efforts to improve resource utilization place high priority on harvesting techniques, the increased use of whole tree chips and the consumption of a wider range of tree species for pulp and paper production.

The Corporation's Research Centre at Senneville, Québec continues to investigate alternative pulping and chemical recovery methods.

Product development activities continue to focus on Domtar's key strategic product lines.

### Public affairs

Domtar's donations totalled \$400,000, approximately the same level as in 1981 and 1980. The funds were directed to support health, welfare, educational and recreational programs both nationally and in the communities where Domtar employees live and work, and include 24 university entrance scholarships awarded to eligible dependents of Domtar employees. In addition, men and women at all levels of the organization continued to work voluntarily for a variety of deserving causes within these communities.

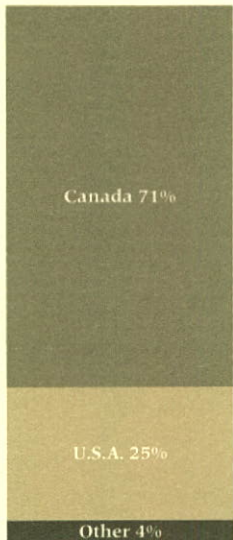
*Corporate Staff Groups management team, from left: Wilfrid L.P. Fournier, Vice-President - Employee Relations; Gilles Pharand, Assistant Secretary; Steven S. Danyluk, Vice-President - Research and Environmental Technology; W. Boyd Henderson, Vice-President - Engineering.*





# Financial Review

Net sales 1982  
by market



## Highlights of operations

The net loss of Domtar Inc. in 1982 was \$1.6 million or \$0.10 per common share after taking into account an extraordinary loss of \$10.7 million or \$0.59 per common share. This compares to net earnings of \$63.6 million or \$3.59 per common share in 1981, which includes an extraordinary gain of \$4.2 million or \$0.24 per common share.

Sales in 1982 totalled \$1.7 billion, a 4% decrease from 1981. The accompanying chart segregates sales by geographic area, illustrating the significant portion of Domtar's business conducted in Canada. Though sensitive to fluctuations in the United States-Canada exchange rate, Domtar's net earnings are less affected than those of most other Canadian pulp and paper companies. The impact on net earnings of a one-cent change in the Canadian dollar versus the U.S. dollar is estimated at \$1.9 million, or \$0.11 per common share.

In 1982, the recession affected all of Domtar's businesses to varying degrees. Sales volume declined from the level achieved in 1981. Most operations ran at considerably below full capacity. In addition, some operations were closed or "mothballed". Price increases were generally insufficient to cover increased costs, despite a major cost reduction program introduced early in 1982 which included an overall staff reduction of 10%.

The pulp and the newsprint and groundwood specialty papers businesses were particularly hard hit in the second half of 1982. Pulp prices fell throughout 1982. The price of newsprint dropped 6% in October. The only Pulp & Paper Products division to show improvement was Fine Papers, where volume recovered following the strikes which commenced in 1980 and continued until May, 1981. The results of the Packaging Group were adversely affected by strikes lasting throughout the second half of 1982 at eight of the Group's corrugated container plants. The continuing decline in the level of activity in the construction industry affected the results of the





Construction Materials Group. Due to more severe weather conditions in the first quarter, the Sifto® Salt division of the Chemicals Group increased its shipments in 1982. The Energy Group showed an operating loss due to the write-down in value of certain properties based on the annual impairment review.

Interest incurred on indebtedness increased by \$12 million or 47% in 1982 mainly as a result of the additional long-term borrowing in late 1981 and in 1982. Since the interest capitalized on major capital projects was \$12 million in 1982, as compared to \$6 million in 1981, the amount charged against earnings was only \$6 million higher than in 1981.

In calculating its income tax liability, the Corporation takes into account various tax credits and other allowances to which it is entitled and the lower income tax rates applicable in certain countries in which the Corporation conducts business. In 1982, these credits exceeded the income tax liability based on the statutory Canadian tax rate applied to the Corporation's pre-tax earnings. Partly offsetting these favourable factors was the unrecorded tax benefit of losses of the Corporation's U.S. subsidiaries. Overall, the statement of earnings reflects a \$4 million recovery of income taxes.

For economic reasons, the Corporation during 1982 closed its lime mine and kiln at Bellefonte, Pennsylvania and the fire-retardant ceiling panel plant at Cornwall. In addition, provision has been made for an anticipated net loss on the sale of the lime facilities at Blubber Bay and of the investment in Eastern Coated Papers Limited. These transactions have been classified as an extraordinary loss totalling \$10.7 million. This compares with an extraordinary gain of \$4.2 million in 1981 on sale of certain productive facilities.

A change was made effective January 1, 1982 in the method of accounting for gas and oil properties. Under the former policy, the costs of unsuccessful wells were expensed. Under the revised policy – the full cost method – all costs are initially capitalized. The full cost method is considered more appropriate for a company in the exploration mode. This change in policy improved 1982 operating results by \$2.5 million (\$1.4 million after tax). The net earnings for prior years were not adjusted, as the effect in those years was not significant.

#### Contributions by divisions

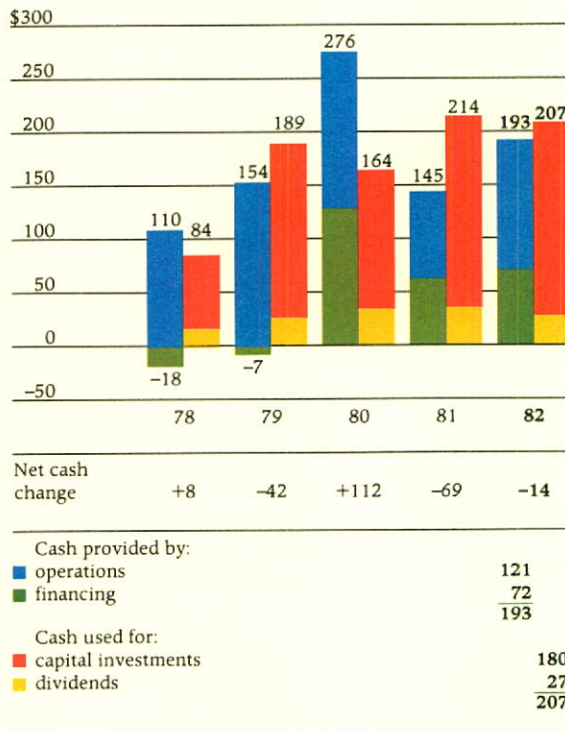
The following table highlights the six divisions which are the main contributors to operating profit for the past five years. However, their results have been affected, on occasion, by adverse economic conditions or strikes.

Operating profit by division (millions of Canadian dollars)	1982	1981	1980	1979	1978
Fine papers	\$ 34.6	\$ 16.4	\$ 43.5	\$ 45.0	\$ 22.4
Newsprint/groundwood specialty papers	23.0	40.2	37.5	33.9	24.6
Pulp	(0.4)	20.2	17.5	17.9	(0.7)
Corrugated containers & containerboard	(7.5)	17.6	23.9	19.2	13.1
Sifto® salt	11.0	8.3	19.2	15.6	13.1
Gypsum products	(19.3)	(9.0)	4.9	26.2	23.7
Other	(8.7)	5.3	26.4	27.4	20.9
<b>Total</b>	<b>\$ 32.7</b>	<b>\$ 99.0</b>	<b>\$172.9</b>	<b>\$185.2</b>	<b>\$117.1</b>

Finance and Corporate Development Group management team, from left: Michael B. Cooke, Director – Business Development; Lloyd W. Kimpton, Director – Corporate Planning; T. Brian Nutter, Controller; Halford M. Wilson, Treasurer.



**Comparison of net cash provided by operations and financing with cash used for capital investments and dividends**  
(millions of Canadian dollars)



**Changes in financial position**

The format of the consolidated statement of changes in financial position has been revised. Whereas the 1981 format only categorized each item as either a source or a used of funds, the 1982 format groups related items into four distinct components:

- Operations
- Financing
- Capital investments
- Dividends

With the growing importance of cash management, the new format more clearly highlights the manner in which the Corporation has utilized its available cash resource. The chart illustrates the change in cash position for each of the past five years.

**Operations – net cash flow**

This component takes into account the change in non-cash working capital. Before the change in non-cash working capital, cash flow from operations amounted to \$83 million in 1982 as compared to \$143 million in 1981. In 1982, however, the Corporation reduced its non-cash working capital by \$38 million, while in 1981, non-cash working capital increased by \$62 million. As a result, net cash flow from operations amounted to \$121 million in 1982, 49% better than in 1981. Non-cash working capital was \$247 million and \$281 million at December 31, 1982 and 1981 respectively.

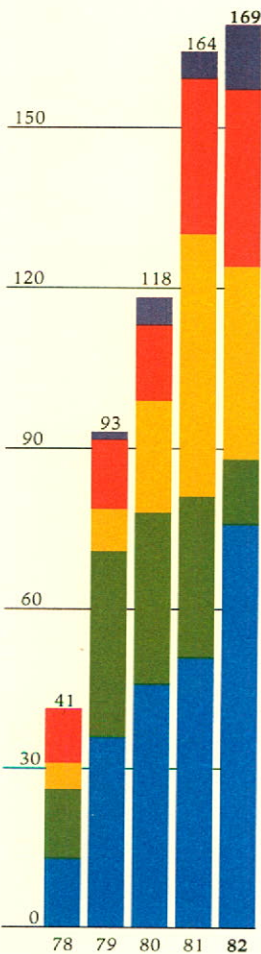
The reduced level of sales resulting from the economic recession has, in turn, caused receivables to be lower than last year. With the continuing emphasis on cash conservation, management concentrated on the collection of receivables. As a result, the number of days' sales outstanding at December 31, 1982 was 2 days better than at December 31, 1981. However, the Corporation increased its allowance for doubtful accounts by 30% since December 31, 1981 from 2.7% to 4.0% of receivables.

At the beginning of 1982, management recognized that the inventory levels at 54 days of supply were relatively high. As the year progressed and the economy continued to deteriorate, management concentrated its efforts on reducing inventories to levels compatible with business activity. As a result, production was lower than sales volume. By December 31, 1982, inventories had been reduced by 14%. The number of days of supply of inventory had been reduced 4 days to 50 days at December 31, 1982.



**Fixed assets purchased by operating group**  
(millions of Canadian dollars)

\$180



- Energy
- Chemicals
- Packaging
- Construction Materials
- Pulp & Paper Products

### Financing

The Corporation arranged two intermediate-term Swiss Francs loans:

- SF 90.0 million 7½% notes for 5 years
- SF 44.0 million 6¾% notes for 7 years

The loans amounted to \$78 million.

Both principal and interest on the 6¾% notes are fully hedged, while SF 67 million of the SF 90 million notes are fully hedged. In both cases, the hedging is effected through currency exchange agreements with Canadian chartered banks, whereby the Corporation has agreed to exchange U.S. dollars for Swiss Francs. The debt to equity ratio remains strong:

(millions of Canadian dollars)			Ratio
Long-term debt	Shareholders' equity	Total	
\$331	\$609	\$940	35:65

The Corporation has a revolving credit agreement with a Canadian chartered bank. At December 31, 1982 \$450 million in either U.S. or Canadian funds was available under this agreement. This commitment is for 18 months and may be renewed quarterly by mutual consent, for periods of 18 months. Part of the revolving credit may be used as a standby line to support outstanding commercial paper. The Corporation has other unused and uncommitted lines of credit totalling \$150 million which are subject to periodic review.

Domtar's long-term borrowing capacity is constrained not only by its need to maintain a sound financial base but also by two tests, contained in its trust deeds, which relate to interest and debt coverage.

### Capital investments

In 1982, Domtar's fixed asset purchases were at an all-time high of \$169 million, slightly more than the \$164 million spent in 1981. The major capital projects completed or in progress in 1982 were:

- a recovery furnace at the Red Rock linerboard mill.
- a waste paper recovery plant in Toronto.
- a salt mine expansion at Goderich.
- a wood refuse boiler at Dolbeau.
- conversion to thermo-mechanical pulping at Donnacona.
- investments in gas and oil projects.

In addition, \$9 million was spent to acquire Lake Point Salt Company, in Utah, and two wood preserving plants in Western Canada.

Until the economy recovers, the Corporation is restricting its spending on capital projects to the minimum needed to complete projects underway, to sustain the competitive position of its key strategic businesses and to maintain the operations of its other businesses.

### Dividends

The Corporation declared \$28 million in dividends in 1982. Under the stock dividend plan, \$5 million of this amount was issued as common shares in lieu of cash dividends, compared to \$11 million in 1981.

The dividend on common shares was reduced to an indicated annual dividend rate of \$1.00 per common share from \$2.00 per share. The annual dividend of \$1.00 on the preference shares was declared as in previous years.



# Management's statement on responsibility for financial reporting and control

Management is responsible for the preparation and presentation of the information contained in the annual report. The financial statements presented in the annual report are considered by management to present fairly the Corporation's consolidated financial position and results of operations. The consolidated financial statements including the notes thereto (pages 34 to 44) have been prepared in accordance with generally accepted accounting principles. The Board of Directors has approved the consolidated financial statements as presented therein. The financial information throughout the annual report is derived from the financial statements.

The financial statements have been examined by the Corporation's auditors, Price Waterhouse and Raymond, Chabot, Martin, Paré, whose report is presented below. To express an opinion on the consolidated financial statements, Price Waterhouse and Raymond, Chabot, Martin, Paré develop and maintain an understanding of Domtar's accounting procedures and financial controls. These internal controls are to provide reasonable assurance that the Corporation's written policies and procedures are followed; transactions are executed in accordance with appropriate authorizations; and the books, records, and financial statements properly reflect the transactions of the Corporation. Further, the system includes an organization providing for appropriate delegation of authority and the segregation of duties. The internal controls are monitored by the Corporation's internal auditors whose function includes the review and evaluation of the accounting records and related systems.

The Audit Committee is appointed by the Board of Directors. Acting on behalf of the Board, the Committee reviews the Corporation's financial statements, approves major accounting policies and periodically reviews principal internal controls to assure their adequacy. The auditors of the Corporation have free and independent access to the Audit Committee and they meet with the Committee to consider matters relating to financial statement presentation, internal controls and audit procedures.

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## Auditors' Report

### To the Shareholders of Domtar Inc.:

We have examined the consolidated balance sheet of Domtar Inc. as at December 31, 1982 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, except for the change in the method of accounting for gas and oil properties as described in note 2 to the consolidated financial statements, on a basis consistent with that of the preceding year.

Price Waterhouse  
Chartered Accountants

Raymond, Chabot, Martin, Paré  
Chartered Accountants

Montréal, February 3, 1983



# Domtar Inc.

## Consolidated Statement of Earnings

Year ended December 31  
(millions of Canadian dollars, except per share amounts)

	1982	1981	1980
<b>Sales</b>	\$1,686.6	\$1,764.7	\$1,653.2
<b>Operating expenses</b>			
Cost of sales	1,436.8	1,462.5	1,311.0
Selling and administrative	145.5	139.2	114.2
Research	6.7	6.3	5.7
Depreciation and depletion	64.9	57.7	49.4
	1,653.9	1,665.7	1,480.3
<b>Operating profit</b> (note 19)	32.7	99.0	172.9
Corporate expenses	11.5	12.7	9.3
Sundry income, net of expenses	(8.5)	(13.0)	(13.7)
<b>Earnings before interest, income taxes, minority interest and extraordinary items</b>	29.7	99.3	177.3
Interest			
Long-term debt (note 10)	20.0	15.6	14.5
Other indebtedness	3.4	2.3	0.8
	23.4	17.9	15.3
<b>Earnings before income taxes, minority interest and extraordinary items</b>	6.3	81.4	162.0
Income taxes (note 11)			
Current	(6.5)	(4.9)	45.3
Deferred	2.5	26.1	19.6
	(4.0)	21.2	64.9
<b>Earnings before minority interest and extraordinary items</b>	10.3	60.2	97.1
Minority interest	1.2	0.8	0.5
<b>Earnings before extraordinary items</b>	9.1	59.4	96.6
Extraordinary items (note 12)	10.7	(4.2)	2.0
<b>Net earnings (loss)</b>	\$ (1.6)	\$ 63.6	\$ 94.6
<b>Per common share</b> (note 13)			
Earnings before extraordinary items	\$ 0.49	\$3.35	\$5.78
Net earnings (loss)	\$(0.10)	\$3.59	\$5.66
<b>Average number of common shares outstanding (millions)</b>	18.0	17.6	16.6

See accompanying notes to financial statements



# Domtar Inc.

## Consolidated Balance Sheet

December 31  
(millions of Canadian dollars)

Assets	1982	1981
<b>Current assets</b>		
Cash, including term deposits	\$ 68.5	\$ 82.9
Receivables, less allowance for doubtful accounts of \$8.3 — (1981 — \$6.4)	206.4	237.0
Inventories (note 3)	211.7	245.6
Income taxes recoverable	12.8	11.0
Prepaid expenses	5.9	5.0
	505.3	581.5
<b>Investments and advances, at cost</b>	9.4	10.5
<b>Fixed assets</b>		
Plant, machinery and facilities	1,334.0	1,200.1
Timber limits and land	42.1	40.5
Gas and oil properties	61.0	53.3
	1,437.1	1,293.9
Less: Accumulated depreciation and depletion	658.3	601.5
	778.8	692.4
<b>Intangible assets and deferred charges (net of amortization)</b>		
Unrealized exchange losses	11.7	6.9
Debt issue expenses	2.8	1.3
Goodwill and other intangibles	9.3	9.3
	23.8	17.5
	\$1,317.3	\$1,301.9

*Approved by the Board:*

*Yves Pratte, Q.C., Director*  
*James H. Smith, Director*



<b>Liabilities and Shareholders' Equity</b>	1982	1981
<b>Current liabilities</b>		
Notes payable	\$ -	\$ 7.8
Trade and other payables	180.9	194.0
Income and other taxes payable	5.6	8.4
Long-term debt due within one year (note 5)	3.6	7.5
	<hr/> 190.1	<hr/> 217.7
<b>Long-term debt (note 5)</b>	331.4	262.6
<b>Deferred income taxes</b>	177.6	176.3
<b>Deferred credit (note 6)</b>	4.5	8.7
<b>Minority interest</b>	4.2	3.2
<b>Commitments and contingent liabilities (note 7)</b>		
<b>Preferred shareholders' equity</b>		
\$1 preference shares, cumulative, without nominal or par value, redeemable at \$25 per share (note 8) Authorized and outstanding: 512,916 shares	12.1	12.1
<b>Common shareholders' equity</b>		
Common shares (note 8) 18,168,995 shares (1981 - 17,859,290 shares)	270.3	265.1
Retained earnings (note 9)	327.1	356.2
	<hr/> 597.4	<hr/> 621.3
	<hr/> <b>\$1,317.3</b>	<hr/> <b>\$1,301.9</b>

*See accompanying notes to financial statements*



# Domtar Inc.

## Consolidated Statement of Changes in Financial Position

Year ended December 31  
(millions of Canadian dollars)

	1982	1981	1980
<b>Cash provided by (used for):</b>			
(A) Operations	\$ 121.0	\$ 81.4	\$ 146.3
(B) Financing	71.7	63.8	130.3
(C) Capital investments	(179.6)	(178.1)	(129.1)
Dividends	(27.5)	(35.8)	(35.4)
<b>Increase (decrease) during the year</b>	<b>(14.4)</b>	<b>(68.7)</b>	<b>112.1</b>
<b>Cash at beginning of year</b>	<b>82.9</b>	<b>151.6</b>	<b>39.5</b>
<b>Cash at end of year</b>	<b>\$ 68.5</b>	<b>\$ 82.9</b>	<b>\$ 151.6</b>
<b>(A) Operations</b>			
Earnings before extraordinary items	\$ 9.1	\$ 59.4	\$ 96.6
Items not requiring cash			
Depreciation and depletion	64.9	57.7	49.4
Deferred income taxes	2.5	26.1	19.6
Other	6.1	(0.3)	0.5
<b>Cash flow from operations</b>	<b>82.6</b>	<b>142.9</b>	<b>166.1</b>
Cash provided by (invested in) non-cash working capital (details on page 33)	38.4	(61.5)	(19.8)
<b>Net cash flow from operations</b>	<b>\$ 121.0</b>	<b>\$ 81.4</b>	<b>\$ 146.3</b>
<b>(B) Financing</b>			
Long-term debt issued	\$ 74.5	\$ 59.0	\$ 51.2
Long-term debt repaid	(15.3)	(10.5)	(6.7)
Common shares issued (note 8)	5.2	11.6	69.4
Government grants for capital expenditures	7.3	4.3	17.6
Minority interest purchased	-	(0.6)	(1.2)
	<b>\$ 71.7</b>	<b>\$ 63.8</b>	<b>\$ 130.3</b>
<b>(C) Capital investments</b>			
Fixed assets purchased	\$ 168.8	\$ 164.3	\$ 118.3
Businesses acquired (note 14)	9.2	36.7	14.1
Fixed assets sold	(4.2)	(10.2)	(4.7)
Extraordinary items	6.7	(7.5)	2.0
Other	(0.9)	(5.2)	(0.6)
	<b>\$ 179.6</b>	<b>\$ 178.1</b>	<b>\$ 129.1</b>

See accompanying notes to financial statements



**Domtar Inc.**  
**Consolidated Statement of Changes**  
**in Financial Position (cont'd)**

Year ended December 31  
(millions of Canadian dollars)

	1982	1981	1980
<b>Cash provided by (invested in)</b>			
<b>non-cash working capital</b>			
Receivables	\$ 30.6	\$ (15.4)	\$ (11.2)
Inventories	33.9	(31.0)	(25.6)
Income taxes recoverable	(1.8)	(11.0)	-
Prepaid expenses	(0.9)	0.3	(2.2)
Notes payable	(7.8)	7.8	-
Trade and other payables	(13.1)	(1.9)	17.0
Income and other taxes payable	(2.8)	(23.7)	1.8
Long-term debt due within one year	(3.9)	7.4	(2.5)
	34.2	(67.5)	(22.7)
Add back: Working capital at date of acquisition of businesses acquired	4.2	6.0	2.9
<b>Cash provided by (invested in)</b>			
<b>non-cash working capital</b>	\$ 38.4	\$ (61.5)	\$ (19.8)

**Consolidated Statement**  
**of Retained Earnings**

Year ended December 31  
(millions of Canadian dollars, except per share amounts)

	1982	1981	1980
<b>Balance at beginning of year</b>	\$356.2	\$328.4	\$271.3
Net earnings (loss)	(1.6)	63.6	94.6
	354.6	392.0	365.9
Deduct:			
Share issue expenses less income taxes of \$1.7	-	-	2.1
Dividends			
Preference shares - \$1.00 per share	0.5	0.5	0.5
Common shares - \$1.50 per share (1981 - \$2.00; 1980 - \$2.00)	27.0	35.3	34.9
	27.5	35.8	37.5
<b>Balance at end of year</b>	\$327.1	\$356.2	\$328.4

*See accompanying notes to financial statements*



# Domtar Inc.

## Notes to Consolidated Financial Statements

(millions of Canadian dollars, except per share amounts and unless otherwise noted)

### 1. Summary of significant accounting policies

The financial statements have been prepared in accordance with generally accepted accounting principles in Canada and, except as described in note 17, they also conform in all material respects to generally accepted accounting principles in the United States.

#### Principles of consolidation

The accompanying financial statements include the accounts of Domtar Inc. and all its subsidiaries.

#### Valuation of inventories

Inventories of raw materials and operating and maintenance supplies are valued at average cost. Finished goods and work in process are valued at the lower of average cost and net realizable value and include the cost of raw materials, direct labour and certain manufacturing overhead expenses.

#### Fixed assets and depreciation

Fixed assets are recorded at cost. The cost and related accumulated depreciation of items retired or disposed of are removed from the books and any gains or losses are included in the consolidated statement of earnings. Depreciation is provided on the straight-line method, except for gas and oil well equipment which is on a unit of production basis, using rates based on the estimated useful lives of the assets which are generally as follows:

Production machinery	12 to 20 years
Logging equipment	Up to 6 years
Ships	Up to 15 years
Automobiles	4 years
Buildings	Up to 40 years

The Corporation follows the full cost method of accounting for gas and oil properties. Under this method, all costs incurred in acquiring, exploring and developing properties are capitalized, with Canada and the United States being considered as separate cost centres. Such costs are depleted using the unit of production method based upon the estimated proven reserves of gas and oil. The cost centres are reviewed annually and, if impairment to value is determined, the capitalized costs are written down.

Interest cost is capitalized on additions to property and plant which are in excess of \$1 million and for which the period of construction exceeds one year. The interest rate used is equal to the weighted average of the interest rates on long-term debt.

#### Intangible assets and deferred charges

Expenses incurred in issuing long-term debt are amortized on a straight-line basis over the terms of the related obligations.

Goodwill is amortized on a straight-line basis over periods not exceeding twenty-five years.

Other intangibles are amortized on a straight-line basis over their estimated useful lives.



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## 1. Summary of significant accounting policies (cont'd)

### Translation of foreign currencies

Amounts stated in foreign currencies are translated as follows: current assets (except inventories), current liabilities and long-term monetary assets and liabilities are translated at year-end exchange rates, except items covered by currency exchange agreements which are translated at the agreed rates; all other assets (including inventories) and liabilities are translated at the exchange rates prevailing on the transaction dates. Revenues and expenses are translated at monthly average exchange rates during the year, except for cost of sales, depreciation, depletion and amortization, which are translated at the exchange rates prevailing when the related assets were manufactured or acquired.

All gains and losses arising from the translation of foreign currencies are included in net earnings except for unrealized gains and losses on long-term monetary assets and liabilities, which are deferred and amortized over the remaining lives of the related items.

### Income taxes

The Corporation provides for income taxes on the tax allocation basis. Accordingly, deferred income tax provisions are recorded in the consolidated statement of earnings in order to reflect the income tax effects of timing differences, principally due to depreciation and depletion claimed for income tax purposes in excess of amounts recorded for financial statement purposes. The benefits of investment tax credits, to the extent that they can be recorded, are reflected in earnings in the year during which the related expenditures are made.

The Corporation does not provide for income taxes on undistributed income of foreign subsidiaries as such income is being reinvested in foreign operations.

### Pension costs

Pension costs associated with current service are expensed and funded in the period in which the service is rendered. Past service costs remaining to be charged to operations are amortized and funded over periods not exceeding those during which funding is permitted by the applicable regulatory bodies.

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## 2. Accounting change – gas and oil properties

Commencing in 1982, the Corporation changed its method of accounting for gas and oil properties from the successful efforts to the full cost method. This change had the effect of reducing the net loss for 1982 by \$1.4 million (\$0.07 per share). The net earnings for prior years were not adjusted, as the effect was not significant.

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3. Inventories	1982	1981
Raw materials	\$ 80.8	\$ 98.1
Finished goods and work in process	99.6	112.3
Operating and maintenance supplies	31.3	35.2
	<hr/>	<hr/>
	\$211.7	\$245.6

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#### 4. Unused bank lines of credit

At December 31, 1982, the Corporation has a Credit Agreement with a Canadian chartered bank pursuant to which the Corporation has, for a period of 18 months, a committed unused line of credit totalling \$450 million in either U.S. or Canadian funds. This line of credit is renewable quarterly for a period of 18 months upon mutual consent. Interest rates vary from bankers' acceptances (usually below bank prime) to bank prime for Canadian funds and are  $\frac{3}{8}$  of 1% above the London Interbank Offered Rate for U.S. funds.

In addition, the Corporation has unused uncommitted bank lines of credit of \$149.5 million (1981 - \$165.5 million), which are subject to annual review. Loans thereunder would bear interest at rates varying from bankers' acceptances to the banks' prime lending rates.

5. Long-term debt	Maturity	1982	1981
Sinking fund debentures			
5 1/2% Series "C"	1982	\$ -	\$ 3.9
5 3/4% Series "D"	1984	5.6	6.4
5 5/8% Series "E"	1990	17.5	21.1
6 3/4% Series "F"	1987	20.0	22.5
11% Series "G"	1995	40.1	45.1
9 5/8% Series "H" (U.S. \$47.2)	1996	58.0	59.3
12 1/4% Series "I" (U.S. \$42.0)	2000	51.6	49.8
		192.8	208.1
17 1/4% Bank loan (U.S. \$50.0)	1986	61.5	59.3
7 1/2% Notes (Swiss Francs 90.0)	1987	53.4	-
6 3/8% Notes (Swiss Francs 44.0)	1989	24.6	-
Convertible Notes	1990	2.7	2.7
		335.0	270.1
Less: Due within one year		3.6	7.5
		\$331.4	\$262.6

The Corporation has hedged principal and interest payments on the 6 3/8% Swiss Franc (SF) notes and on SF67 million of the SF90 million 7 1/2% notes through currency exchange agreements with Canadian chartered banks, pursuant to which the Corporation has agreed to exchange U.S. dollars for Swiss Francs. Hedging costs are classified in the statement of earnings as a reduction of sundry income.

The Convertible Notes, which bear interest at the prime rate, were issued to certain officers of the Corporation and are convertible into common shares at the rate of \$25.21 per common share, determined on the basis of the fair market value of the common shares immediately prior to the issue of the Notes. The Notes are also redeemable at any time by the Corporation.

Long-term debt, as at December 31, 1982, due for retirement or sinking fund provisions in each of the next five years amounts to:

	1983	1984	1985	1986	1987
	\$ 3.6	\$10.6	\$ 8.7	\$74.3	\$78.7



## 6. Deferred credit

The government grants received by the Corporation during 1980 include amounts totalling \$15.8 million which are contingent upon making certain capital expenditures over a five-year period. These grants are credited to fixed assets only when the related capital expenditures are incurred. An amount of \$4.2 million has been credited to fixed assets in 1982 (\$3.5 million in 1981).

## 7. Commitments and contingent liabilities

The Corporation has commitments for capital expenditures totalling approximately \$32 million at December 31, 1982.

Minimum rental commitments under operating leases, determined as at December 31, 1982 amount to:

1983	1984	1985	1986	1987	Thereafter	Total
\$13.9	\$ 9.6	\$ 8.6	\$ 7.7	\$ 7.3	\$27.3	\$74.4

Total rental expense amounted to \$16.5 million in 1982, \$14.8 million in 1981 and \$12.5 million in 1980.

There are outstanding lawsuits and claims against the Corporation as follows:

a) i) Proceedings instituted by certain Cree Indians alleging that the mercury content of the environment has partly been caused by mercury discharges of the Corporation's chemical plant at Label-sur-Quévillon, Québec. They are claiming from the Corporation, jointly and severally with several other defendants, approximately \$5 million in damages.

ii) Various lawsuits and claims estimated at \$6 million.

The Corporation is contesting these lawsuits and claims and does not consider that their outcome will have a material adverse effect on the Corporation.

b) Proceedings instituted in November, 1982 by Edw. C. Levy Co. of Detroit, Michigan alleging that the Corporation has sold quicklime into the United States in violation of the United States antidumping and antitrust legislation. The plaintiff is claiming treble damages amounting to approximately U.S. \$49.5 million.

The lawsuit has not progressed far enough to make it possible to form a definite opinion as to its outcome. The Corporation believes that it has substantial defences to the claims asserted and that even if the Corporation was found liable, it appears likely that any damages awarded would be substantially less than the amount of the claims. The likelihood of loss or the amount of loss to the Corporation is not determinable at this time.

Any settlement which may occur as a result of the above lawsuits and claims will be accounted for as an adjustment of prior years' net earnings.



### 8. Stated capital

There has been no change in preference shares authorized and outstanding during the last three years.

There is no limit on the number of common shares the Corporation may issue. Changes in the number and stated value of common shares since January 1, 1980 are as follows:

	1982		1981		1980	
	Number of shares	\$	Number of shares	\$	Number of shares	\$
Balance at beginning of year	17,859,290	265.1	17,443,217	253.5	14,841,358	182.0
Shares issued in lieu of cash dividends	269,637	4.5	393,061	11.1	1,859	0.1
Shares issued for cash	40,068	0.7	23,012	0.5	2,600,000	71.4
Balance at end of year	18,168,995	270.3	17,859,290	265.1	17,443,217	253.5
Book value per common share at end of year		\$32.88		\$34.79		\$33.36

Book value per common share is the sum of the stated value of common shares and retained earnings divided by the number of common shares outstanding at the year-end.

### 9. Retained earnings

The Trust Deeds securing the sinking fund debentures contain restrictions on the payment of dividends, other than stock dividends, on common shares. Under the most restrictive provision, \$129.1 million of retained earnings at December 31, 1982 is not available for payment as dividends on common shares other than through stock dividends.

### 10. Capitalization of interest costs

The capitalized interest costs on major additions to property and plant amounted to \$12.5 million in 1982 (1981 - \$6.5 million; 1980 - \$3.1 million). The total amount of interest on long-term debt incurred for the year ended December 31, 1982 was \$32.5 million (1981 - \$22.1 million; 1980 - \$17.6 million).



## 11. Income taxes

### Effective income tax rate

The effective income tax rate differed from the Canadian statutory income tax rate. The principal factors causing this difference were as follows:

	1982	1981	1980
Earnings before income taxes, minority interest and extraordinary items	\$ 6.3	\$ 81.4	\$ 162.0
Income taxes at the statutory Canadian rate - 46.8% (1981, 1980 - 49%)	\$ 2.9	\$ 39.9	\$ 79.4
Income tax allowances			
manufacturing and processing	(0.8)	(4.0)	(8.1)
investment tax credits	(5.2)	(8.8)	(4.5)
inventory	(2.6)	(2.4)	(1.9)
resource deduction	(0.7)	(0.8)	(1.0)
Foreign income taxed at lower rates	(7.8)	(6.4)	(2.7)
Unrecorded tax benefit of losses	11.3	-	-
Other items	(1.1)	3.7	3.7
Total income tax expense (recovery)	\$ (4.0)	\$ 21.2	\$ 64.9
Effective income tax rate	-	26.0%	40.0%

### Unrecorded income tax benefits

United States subsidiaries of the Corporation have at December 31, 1982, tax loss carryforwards for accounting purposes of approximately \$30.2 million for which the tax benefit has not been reflected in earnings. This amount is available to reduce United States income taxes in years up to and including 1997. The related tax benefit, when realized, will be recognized as an extraordinary item.

## 12. Extraordinary items

The extraordinary items consist of:

	1982	1981	1980
Loss on permanent closure of productive facilities, net of income taxes of \$1.2 in 1982	\$ 8.9	\$ -	\$ 4.6
Loss (gain) on sale of productive facilities, net of income taxes of \$2.9 in 1981	1.8	(4.2)	-
Gain on sale of investment	-	-	(2.6)
	\$ 10.7	\$ (4.2)	\$ 2.0

## 13. Earnings per common share

Earnings per common share are based on the weighted average number of shares outstanding. Fully diluted earnings per share have not been disclosed since conversion of the Convertible Notes does not cause significant dilution.



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#### 14. Businesses acquired

Effective March 1982, the Corporation acquired for U.S. \$2.5 million all the outstanding shares of Lake Point Salt Company, in Utah, which produces salt by solar evaporation. Also in March 1982, the Corporation purchased the productive facilities of two wood preserving plants in Alberta and British Columbia for \$6.3 million. The two acquisitions were for cash consideration and have been accounted for as purchases. The results of operations since the dates of acquisition have been included in the consolidated financial statements.

The following is a summary of the assigned values of net assets obtained through acquisitions:

	1982	1981	1980
Fixed assets	\$ 5.0	\$ 17.5	\$ 11.2
Investments	-	7.0	-
Working capital	4.2	6.0	2.9
	9.2	30.5	14.1
Excess of cost over assigned values of net assets acquired	-	6.2	-
Total cost of net assets acquired	\$ 9.2	\$ 36.7	\$ 14.1

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#### 15. Pension plans

The Corporation has pension plans for its employees. The cost charged against the earnings for the year ended December 31, 1982 was \$16.4 million; 1981 - \$15.3 million; 1980 - \$13.0 million.

At December 31, 1982, the Corporation's liability for benefits in respect of past service remaining to be charged to operations is \$35 million (1981 - \$45 million). This liability is calculated on the assumption that operations will continue and on the basis of actuarial determinations used for funding purposes which reflect assumed future compensation levels, where appropriate. The amount is being amortized and funded over periods of up to 15 years in Canada and up to 35 years in the United States. The liability includes recent amendments improving the benefits from the main Canadian pension plans to employees who retire prior to May 2, 1984. Had the benefits resulting from the above amendments been extended to all future retirees, the Corporation's unfunded liability would have been increased by \$55 million, to \$90 million.

The market value of the net assets in trust and available for benefits at December 31, 1982 is \$251.1 million (1981 - \$221.4 million).

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#### 16. Presentation changes

The financial statements reflect the reclassification of certain items in 1980 and 1981 to conform to the 1982 presentation. This reclassification does not affect net earnings for those years.



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## **17. Information presented in accordance with generally accepted accounting principles in the United States**

### **Net earnings**

Under generally accepted accounting principles in the United States, the extraordinary items as described in note 12 would enter into the determination of earnings from continuing operations rather than being treated as extraordinary.

In addition, statement No. 8 of the Financial Accounting Standards Board in the United States requires that all gains and losses resulting from the translation of foreign currencies, including unrealized gains and losses on long-term monetary assets and liabilities, be included directly in net earnings rather than deferred and amortized.

If the financial statements had been prepared under generally accepted accounting principles in the United States, the net loss would have increased in 1982 by \$4.8 million (\$0.28 per common share), and net earnings would have increased in 1981 by \$1.5 million (\$0.08 per common share) and decreased in 1980 by \$1.4 million (\$0.09 per common share).

### **Pension plans**

Statement No. 36 of the Financial Accounting Standards Board in the United States requires the following disclosure:

The present value of accumulated plan benefits under the Corporation's pension plans as at December 31, 1982 is \$268.8 million (1981 - \$245.2 million) of which \$243.5 million (1981 - \$231.1 million) is for vested and \$25.3 million (1981 - \$14.1 million) for non-vested benefits. These actuarially determined benefits are calculated on the basis of existing compensation levels from valuation data as of December 31, 1981, projected to December 31, 1982. The weighted average rate of return assumed in determining the actuarial present value is 6%. Net assets available for benefits at December 31, 1982 are \$251.1 million (1981 - \$221.4 million).

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## **18. Related parties**

Dofor Inc. holds at December 31, 1982, approximately 21.4% of the common shares of the Corporation. Dofor Inc. is owned 85% by Société générale de financement du Québec, a holding company (wholly-owned by the Government of Québec) engaged in commercial investment, and 15% by Caisse de dépôt et placement du Québec ("Caisse"), the Government of Québec's deposit and investment fund. The Caisse directly owns approximately 24.1% of the common shares of the Corporation. The Corporation is not aware of having entered into any transactions with the above-mentioned organizations or any parties related thereto other than on normal commercial terms in the ordinary course of business.



**19. Segmented information**

The Corporation's operations and assets by industry segment and by geographic area are as follows:

	1982	1981	1980	1979	1978
<b>By industry segment</b>					
<b>Trade sales</b>					
Pulp and paper					
Fine papers	\$ 466.2	\$ 424.3	\$ 449.3	\$ 421.1	\$ 327.8
Newsprint and groundwood specialty papers	231.7	240.0	215.0	181.7	160.8
Other	136.6	188.9	172.2	155.4	135.4
	834.5	853.2	836.5	758.2	624.0
Packaging					
Corrugated containers and containerboard	215.3	257.4	217.8	174.5	120.8
Other	40.9	40.7	34.2	29.4	25.0
	256.2	298.1	252.0	203.9	145.8
Construction materials	322.6	354.8	323.9	321.2	281.0
Chemicals	269.8	255.6	240.2	211.9	190.1
Gas and oil	3.5	3.0	0.6	0.2	-
Consolidated sales	\$1,686.6	\$1,764.7	\$1,653.2	\$1,495.4	\$1,240.9
Inter-segment sales	\$ 25.7	\$ 25.8	\$ 27.8	\$ 23.4	\$ 14.5
<b>Operating profit (loss)</b>					
Pulp and paper	\$ 44.0	\$ 62.6	\$ 96.1	\$ 98.7	\$ 49.8
Packaging	(4.0)	21.5	27.4	22.5	14.7
Construction materials	(26.8)	(10.2)	11.8	33.1	26.3
Chemicals	23.6	26.9	39.0	30.9	26.3
Gas and oil	(4.1)	(1.8)	(1.4)	-	-
	\$ 32.7	\$ 99.0	\$ 172.9	\$ 185.2	\$ 117.1



### 19. Segmented information (cont'd)

	1982	1981	1980	1979	1978
<b>By industry segment (cont'd)</b>					
<b>Identifiable assets</b>					
Pulp and paper	\$ 477.0	\$ 492.1	\$ 435.4	\$ 416.3	\$ 378.6
Packaging	237.3	223.1	176.7	139.0	100.5
Construction materials	233.4	260.4	206.2	179.3	143.8
Chemicals	200.1	177.1	152.4	137.5	123.8
Gas and oil	63.2	56.2	50.7	45.9	—
	1,211.0	1,208.9	1,021.4	918.0	746.7
Corporate	106.3	93.0	182.5	59.0	116.7
	<u>\$1,317.3</u>	<u>\$1,301.9</u>	<u>\$1,203.9</u>	<u>\$ 977.0</u>	<u>\$ 863.4</u>
<b>Depreciation and depletion</b>					
Pulp and paper	\$ 25.3	\$ 25.7	\$ 24.2	\$ 25.9	\$ 23.9
Packaging	11.5	9.1	8.4	7.6	6.5
Construction materials	15.1	12.8	8.5	7.3	6.3
Chemicals	10.4	8.9	7.8	7.1	6.9
Gas and oil	2.6	1.2	0.5	0.1	—
	<u>\$ 64.9</u>	<u>\$ 57.7</u>	<u>\$ 49.4</u>	<u>\$ 48.0</u>	<u>\$ 43.6</u>
<b>Fixed assets purchased (excluding acquisitions)</b>					
Pulp and paper	\$ 75.6	\$ 50.8	\$ 46.4	\$ 36.3	\$ 13.0
Packaging	35.7	49.3	20.8	7.8	4.6
Construction materials	11.9	29.7	32.0	35.3	13.3
Chemicals	33.3	28.8	13.7	12.7	9.1
Gas and oil	11.3	5.2	4.7	0.5	—
	167.8	163.8	117.6	92.6	40.0
Corporate	1.0	0.5	0.7	0.5	1.0
	<u>\$ 168.8</u>	<u>\$ 164.3</u>	<u>\$ 118.3</u>	<u>\$ 93.1</u>	<u>\$ 41.0</u>



**19. Segmented information (cont'd)**

	1982	1981	1980	1979	1978
<b>By geographic area</b>					
<b>Trade sales</b>					
Canada					
Within Canada	\$1,204.1	\$1,220.2	\$1,141.0	\$ 999.2	\$ 863.2
To United States	293.1	323.3	276.7	262.6	227.0
Offshore	52.4	72.6	63.8	49.5	27.3
	1,549.6	1,616.1	1,481.5	1,311.3	1,117.5
United States	128.9	119.6	117.4	134.8	85.4
Other	8.1	29.0	54.3	49.3	38.0
Consolidated sales	\$1,686.6	\$1,764.7	\$1,653.2	\$1,495.4	\$1,240.9
Transfers between geographic areas	\$ 46.8	\$ 32.0	\$ 40.2	\$ 38.3	\$ 17.1
<b>Operating profit (loss)</b>					
Canada	\$ 52.9	\$ 106.7	\$ 161.0	\$ 149.9	\$ 103.6
United States	(21.9)	(12.5)	9.8	32.0	13.1
Other	1.7	4.8	2.1	3.3	0.4
	\$ 32.7	\$ 99.0	\$ 172.9	\$ 185.2	\$ 117.1
<b>Identifiable assets</b>					
Canada	\$1,049.2	\$1,031.9	\$ 887.3	\$ 787.2	\$ 659.8
United States	141.8	139.5	90.5	69.9	59.0
Other	20.0	37.5	43.6	60.9	27.9
	1,211.0	1,208.9	1,021.4	918.0	746.7
Corporate	106.3	93.0	182.5	59.0	116.7
	\$1,317.3	\$1,301.9	\$1,203.9	\$ 977.0	\$ 863.4

Sales to other segments reflect transfer prices at market value.

Segment operating profit represents sales less allocable expenses before corporate expenses, sundry income, interest expense and income taxes.

Segment identifiable assets are those which are directly used in segment operations or geographic areas. Corporate assets are principally marketable securities, certain non-trade receivables, prepaid items and other assets.



# Inflation accounting

## Background

The inflation adjusted data as presented below attempts to show the overall impact of inflation on the Corporation's sales and expenses, using the constant dollar method. The 1982 financial statements and the comparative constant dollars amount for 1981 have been restated into year-end 1982 dollars using the Consumer Price Index published by Statistics Canada.

## Constant dollar information

Recessionary business conditions have heightened the impact of inflation. The 1982 net loss in constant dollars is greater by \$76 million than that reported in the Corporation's financial statements due mainly to:

1. The inability to match inflationary cost increases with offsetting price increases resulting in reduced margins of \$15 million.
2. The increase of \$50 million in depreciation expense provided to replace fixed assets which were purchased over an extended period of time when prices were generally lower.

The economic gain of \$12 million on the purchasing power attributable to holding net monetary liabilities reported in 1982 occurs because debt can be repaid with cheaper dollars in an inflationary environment.

## Current cost accounting

The Canadian Institute of Chartered Accountants has issued a standard on current cost accounting called "Reporting the Effects of Changing Prices". This standard becomes effective in 1983 and requires supplementary disclosure of certain financial information.

## Restatement of net earnings on a constant dollar basis

Year ended December 31

(millions of Canadian dollars, except per share amounts)

	1982		1981	
	Historical dollars (per financial statements)	Constant dollars (in restated 1982 year-end dollars)	Historical dollars (per financial statements)	Constant dollars (in restated 1982 year-end dollars)
Sales	\$1,687	\$1,742	\$1,765	\$2,019
Cost of sales	1,437	1,507	1,462	1,704
Depreciation	65	115	58	113
Other expenses (net)	180	186	164	203
Earnings (loss) from continuing operations	5	(66)	81	(1)
Income taxes (recovery)	(4)	(4)	21	24
Earnings (loss) before extraordinary items	9	(62)	60	(25)
Extraordinary items (loss)	(11)	(16)	4	1
<b>Net earnings (loss)</b>	<b>\$ (2)</b>	<b>\$ (78)</b>	<b>\$ 64</b>	<b>\$ (24)</b>
Purchasing power gain attributable to holding net monetary liabilities		\$ 12		\$ 19
(Loss) including holding gain on net monetary liabilities		\$ (66)		\$ (5)
<b>Net earnings (loss) per share</b>	<b>\$ (0.10)</b>	<b>\$ (4.47)</b>	<b>\$ 3.59</b>	<b>\$ (1.40)</b>



# Domtar Inc.

## Eleven Year Review of Selected Financial Data

(millions of Canadian dollars except per share amounts and statistical data)

			1982	1981	1980
<b>Earnings</b>	<b>Sales</b>		\$ 1,686.6	1,764.7	1,653.2
	<b>Expenses</b>	Operating and corporate expenses	\$ 1,665.4	1,678.4	1,489.6
		Sundry income, net of expenses	\$ (8.5)	(13.0)	(13.7)
		Interest expense	\$ 23.4	17.9	15.3
		Income taxes	\$ (4.0)	21.2	64.9
		Minority interest	\$ 1.2	0.8	0.5
	Extraordinary items	\$ 10.7	(4.2)	2.0	
<b>Net earnings (loss)</b>		\$ (1.6)	63.6	94.6	
<b>Financial Position</b>	<b>Assets</b>	Cash, including term deposits	\$ 68.5	82.9	151.6
		Other current assets	\$ 436.8	498.6	441.4
		Net fixed assets	\$ 778.8	692.4	584.7
		Other assets and intangibles	\$ 33.2	28.0	22.6
		<b>Total assets</b>	\$ 1,317.3	1,301.9	1,200.3
	<b>Liabilities and shareholders' equity</b>	Trade and other current payables	\$ 190.1	217.7	228.0
		Long-term debt	\$ 331.4	262.6	214.6
		Deferred credit	\$ 4.5	8.7	12.3
		Deferred income taxes	\$ 177.6	176.3	148.4
		Minority interest	\$ 4.2	3.2	3.0
		Preferred shareholders' equity	\$ 12.1	12.1	12.1
	Common shareholders' equity	\$ 597.4	621.3	581.9	
		<b>Total liabilities and shareholders' equity</b>	\$ 1,317.3	1,301.9	1,200.3
	<b>Changes in Financial Position</b>	<b>Operations</b>	Cash flow from operations	\$ 82.6	142.9
Decrease (increase) in non-cash working capital			\$ 38.4	(61.5)	(19.8)
<b>Financing</b>		Long-term debt and equity financing	\$ 79.7	70.6	120.6
		Other	\$ (8.0)	(6.8)	9.7
<b>Capital investments</b>		Fixed assets purchased	\$ 168.8	164.3	118.3
		Businesses acquired	\$ 9.2	36.7	14.1
<b>Dividends</b>		Other	\$ 1.6	(22.9)	(3.3)
			\$ 27.5	35.8	35.4
		<b>Increase (decrease) in net cash position</b>	\$ (14.4)	(68.7)	112.1
<b>Statistics</b>		<b>Per common share</b>	Net earnings (loss)	\$ (0.10)	3.59
	Dividends		\$ 1.50	2.00	2.00
	Cash flow from operations		\$ 4.54	8.09	9.93
	Common shareholders' equity		\$ 32.88	34.79	33.36
	Price range				
	High		\$ 22	37 <sup>1</sup> / <sub>2</sub>	30 <sup>3</sup> / <sub>4</sub>
	Low	\$ 15 <sup>1</sup> / <sub>2</sub>	20	21 <sup>3</sup> / <sub>4</sub>	
	<b>Ratios</b>	Return on capital employed	2.0%	6.7%	12.2%
		Return on common shareholders' equity	1.4%	9.8%	18.6%
		Debt/equity ratio	35:65	29:71	27:73
	<b>Other statistics</b>	Number of common shareholders	17,571	18,551	20,882
		Number of preferred shareholders	1,289	1,350	1,415
		Common shares outstanding (millions)	18.2	17.9	17.4
		Number of employees	15,017	17,409	18,130
		Salaries, wages and benefits	\$ 480.5	473.7	419.2



1979	1978	1977	1976	1975	1974	1973	1972
1,495.4	1,240.9	1,009.5	886.8	815.2	897.7	655.8	560.8
1,318.7	1,131.9	958.5	860.8	752.6	750.1	584.6	523.1
(6.8)	(11.6)	(7.8)	(7.9)	(7.2)	(8.2)	(4.1)	(2.0)
16.8	17.0	16.9	14.3	9.5	7.3	7.3	7.9
68.5	39.6	13.8	7.9	23.9	64.5	26.6	13.6
0.3	0.7	1.3	1.1	1.1	1.5	0.8	0.8
-	-	-	-	-	-	-	4.1
97.9	63.3	26.8	10.6	35.3	82.5	40.6	13.3
39.4	81.0	72.9	86.9	79.0	38.1	45.8	9.8
402.4	336.2	297.8	280.3	255.0	280.9	202.8	182.7
512.8	402.8	385.8	378.7	364.3	339.2	294.8	295.8
22.0	23.6	13.8	14.2	15.3	19.1	26.4	26.4
976.6	843.6	770.3	760.1	713.6	677.3	569.8	514.7
211.7	158.0	133.8	119.3	114.8	143.5	96.2	62.3
167.0	175.0	173.9	190.5	150.1	108.1	115.2	123.0
-	-	-	-	-	-	-	-
128.9	113.1	103.5	102.5	97.8	85.8	76.5	71.3
3.6	3.2	11.2	13.9	12.2	12.2	11.6	12.4
12.1	12.1	12.1	12.6	12.6	12.6	13.4	13.9
453.3	382.2	335.8	321.3	326.1	315.1	256.9	231.8
976.6	843.6	770.3	760.1	713.6	677.3	569.8	514.7
162.5	123.0	68.2	49.8	76.3	123.6	73.7	45.9
(8.0)	(12.9)	4.9	(14.2)	(2.8)	(30.3)	13.8	(5.6)
0.3	-	-	48.9	49.0	-	-	-
(6.9)	(17.6)	(21.0)	(10.0)	(9.1)	(10.0)	(10.0)	(5.2)
93.1	41.0	38.0	44.4	57.7	74.9	43.4	29.6
71.8	34.8	20.5	11.8	-	2.0	-	-
(2.6)	(8.1)	(4.8)	(5.0)	(9.5)	(10.1)	(17.4)	(4.4)
27.2	16.8	12.4	15.4	24.3	24.3	15.4	9.5
(41.6)	8.0	(14.0)	7.9	40.9	(7.8)	36.1	0.4
6.57	4.23	1.78	0.68	2.34	5.53	2.70	0.86
1.80	1.10	0.80	1.00	1.60	1.60	1.00	0.60
10.93	8.26	4.56	3.32	5.11	8.30	4.93	3.06
30.54	25.78	22.65	21.67	22.00	21.25	17.33	15.63
29 <sup>1</sup> / <sub>4</sub>	24 <sup>7</sup> / <sub>8</sub>	16 <sup>5</sup> / <sub>8</sub>	26 <sup>1</sup> / <sub>2</sub>	24 <sup>7</sup> / <sub>8</sub>	28 <sup>1</sup> / <sub>2</sub>	26 <sup>3</sup> / <sub>4</sub>	18 <sup>3</sup> / <sub>8</sub>
22 <sup>3</sup> / <sub>8</sub>	14	13 <sup>1</sup> / <sub>4</sub>	13 <sup>3</sup> / <sub>4</sub>	17 <sup>5</sup> / <sub>8</sub>	18	16 <sup>1</sup> / <sub>2</sub>	11 <sup>3</sup> / <sub>4</sub>
14.8%	11.1%	6.1%	3.2%	7.3%	17.4%	9.9%	5.0%
23.3%	17.5%	8.0%	3.1%	10.8%	28.6%	16.4%	7.3%
26:74	31:69	33:67	36:64	31:69	25:75	30:70	33:67
19,995	20,393	22,244	23,330	25,815	26,920	27,705	34,824
1,457	1,486	1,537	1,613	1,654	1,671	1,784	1,825
14.8	14.8	14.8	14.8	14.8	14.8	14.8	14.8
18,353	17,414	16,815	17,520	17,637	18,450	18,017	17,436
389.5	337.0	297.3	273.9	232.9	230.7	195.1	175.4



## Quarterly Financial Information (unaudited)

(millions of Canadian dollars, except per share amounts)

	1st	2nd	3rd	4th	Total
<b>1982</b>					
Sales	\$437.4	\$424.9	\$411.3	\$413.0	\$1,686.6
Gross profit	76.0	57.6	59.5	56.7	249.8
Earnings (loss) before extraordinary items	11.6	2.7	(1.6)	(3.6)	9.1
Net earnings (loss)	11.6	(6.2)	(3.3)	(3.7)	(1.6)
Per common share					
Earnings (loss) before extraordinary items	\$ 0.64	\$ 0.14	\$ (0.09)	\$ (0.20)	\$ 0.49
Net earnings (loss)	\$ 0.64	\$ (0.35)	\$ (0.18)	\$ (0.21)	\$ (0.10)
Market price					
High	\$ 22	\$ 22	\$ 19 <sup>1</sup> / <sub>8</sub>	\$ 20 <sup>1</sup> / <sub>2</sub>	
Low	\$ 17 <sup>1</sup> / <sub>2</sub>	\$ 15 <sup>1</sup> / <sub>2</sub>	\$ 15 <sup>1</sup> / <sub>2</sub>	\$ 17	
<b>1981 (Note)</b>					
Sales	\$405.8	\$430.0	\$473.7	\$455.2	\$1,764.7
Gross profit	74.9	70.8	81.6	74.9	302.2
Earnings before extraordinary items	15.6	12.0	18.6	13.2	59.4
Net earnings	19.0	12.0	18.6	14.0	63.6
Per common share					
Earnings before extraordinary items	\$ 0.89	\$ 0.67	\$ 1.05	\$ 0.74	\$ 3.35
Net earnings	\$ 1.08	\$ 0.67	\$ 1.05	\$ 0.79	\$ 3.59
Market price					
High	\$ 37 <sup>3</sup> / <sub>8</sub>	\$ 37 <sup>1</sup> / <sub>2</sub>	\$ 36 <sup>5</sup> / <sub>8</sub>	\$ 24 <sup>1</sup> / <sub>2</sub>	
Low	\$ 27 <sup>7</sup> / <sub>8</sub>	\$ 32 <sup>5</sup> / <sub>8</sub>	\$ 23 <sup>3</sup> / <sub>8</sub>	\$ 20	

### Note:

Effective January 1, 1982, the Corporation changed its method of calculating income taxes in interim periods. Under the previous method, the effective tax rate was based on the actual level of earnings for the year-to-date. Under the new system, the Corporation applies the estimated effective tax rate for the full year to the year-to-date results. The 1981 results have been restated to reflect the new method.



**Definitions of terms used in the Highlights table on page 1**

**Return on capital employed**

Earnings before extraordinary items plus minority interest and long-term debt interest after tax as a percentage of the annual average of total assets less current liabilities.

**Return on common shareholders' equity**

Earnings before extraordinary items less preference dividends as a percentage of the annual average common shareholders' equity.

**Definitions of terms used on pages 9, 13, 17, and 20**

**Trade sales**

Sales by the Corporation to customers.

**Operating profit**

Sales less allocable operating expenses before corporate expenses, sundry income, interest expense and income taxes.

**Net operating assets**

The identifiable assets of the business less related current liabilities.

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**Transfer Agents**

for preference and common shares:  
Montreal Trust Company –  
Halifax, N.S.; Saint John, N.B.;  
Montréal, Qué.; Toronto, Ont.;  
Winnipeg, Man.; Regina, Sask.;  
Calgary, Alta.; Vancouver, B.C.

for common shares only:  
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New York, N.Y.

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for preference and common shares:  
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Montréal, Qué.; Toronto, Ont.;  
Winnipeg, Man.; Regina, Sask.;  
Calgary, Alta.; Vancouver, B.C.

for common shares only:  
The Bank of New York,  
New York, N.Y.

**Trade Marks:**

Arborite<sup>®</sup>, Cladboard<sup>®</sup>, Gyproc<sup>®</sup>, Plainfield<sup>®</sup> and Sifto<sup>®</sup> are registered trade marks of Domtar Inc.

Domtar Inc. is also a registered user of the trade mark Fiberglas(\*).

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Les actionnaires qui préféreraient recevoir leurs rapports en français voudront bien en aviser le Secrétaire de Domtar Inc.



